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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION**

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

**If you have sold or transferred** all your shares in Shanghai Industrial Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Shanghai Industrial Holdings Limited.

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**上海實業控股有限公司**

**SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

**MAJOR TRANSACTION  
IN RELATION TO THE PROPOSED ACQUISITION  
OF AN ADDITIONAL 19% EQUITY INTEREST IN  
SHANGHAI URBAN DEVELOPMENT (HOLDINGS) CO., LTD.**

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A letter from the Board is set out on pages 3 to 14 of this circular.

19th December 2007

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless otherwise defined or the context requires otherwise:–*

“Acquisition Documents”	the Equity Transfer Contract and the supplemental agreement to the joint venture contract of Shanghai Urban Development and the supplemental agreement to the joint venture articles of Shanghai Urban Development to be entered into between Xuhui SAAC and the Company pursuant to the Equity Transfer Contract
“Board”	the board of Directors
“Company”	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Proposed Acquisition in the amount of RMB1,568,707,100
“Directors”	the directors of the Company
“Enlarged Group”	the Group and Urban Development Group
“Equity Transfer Contract”	the equity transfer contract in respect of the sale and purchase of a 19% equity interest in Shanghai Urban Development dated 29th October 2007 entered into between the Company as purchaser and Xuhui SAAC as vendor as supplemented by a supplemental contract entered into between the same parties on the same date
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	(a) third party(ies) which is(are) not (a) connected person(s) of the Company
“Latest Practicable Date”	14th December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the proposed Acquisition of 19% equity interest in Shanghai Urban Development by the Company from Xuhui SAAC pursuant to the Equity Transfer Contract
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Shanghai Urban Development”	上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.*), a Sino-foreign equity joint venture company established in the PRC
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Shares
“SIIC”	Shanghai Industrial Investment (Holdings) Co. Ltd., a company incorporated under the laws of Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Urban Development Group”	Shanghai Urban Development and its subsidiaries
“Valuation Date”	31st July 2007
“Xuhui SAAC”	上海市徐匯區國有資產監督管理委員會 (Xuhui District State-owned Assets Administrative Committee), a government authority authorised by and established directly under Shanghai Xuhui District People’s Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, to exercise state-owned shareholders’ right over Shanghai Urban Development

*For the purposes of this circular, for illustration purpose, amounts in RMB have been translated into Hong Kong dollars at the exchange rate of HK\$1.00 to RMB0.96. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.*

*\* The English name is an informal English translation of its official Chinese name.*

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## LETTER FROM THE BOARD

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上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

*Executive Directors:*

Mr. Cai Lai Xing (*Chairman*)

Mr. Cai Yu Tian (*Vice Chairman and Chief Executive Officer*)

Mr. Lu Ming Fang

Mr. Ding Zhong De

Mr. Zhou Jie (*Executive Deputy CEO*)

Mr. Qian Shi Zheng (*Deputy CEO*)

Mr. Yao Fang

Mr. Tang Jun

*Registered office:*

26th Floor

Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

*Independent Non-Executive Directors:*

Dr. Lo Ka Shui

Prof. Woo Chia-Wei

Mr. Leung Pak To, Francis

19th December 2007

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO THE PROPOSED ACQUISITION  
OF AN ADDITIONAL 19% EQUITY INTEREST IN  
SHANGHAI URBAN DEVELOPMENT (HOLDINGS) CO., LTD.**

**1. INTRODUCTION**

On 29th October 2007, the Board announced that the Company entered into the Equity Transfer Contract with Xuhui SAAC for the acquisition by the Company of an additional 19% equity interest in Shanghai Urban Development at a cash consideration of RMB1,568,707,100 (equivalent to approximately HK\$1,634,070,000). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Xuhui SAAC is an Independent Third Party.

Prior to the Proposed Acquisition, Shanghai Urban Development was held as to 40% by the Company, while after the Proposed Acquisition, Shanghai Urban Development would be held as to 59% of the Company. As the assets of Shanghai Urban Development will be consolidated to the accounts of the Group after the Proposed Acquisition, and hence the Proposed Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Company has obtained written approval of the Equity Transfer Contract from the companies controlled by SIIC, which together held, approximately 51.21%

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## LETTER FROM THE BOARD

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and approximately 51.04% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company as at the date of such approval and as at the Latest Practicable Date respectively. Pursuant to Rule 14.44 of the Listing Rules, the Proposed Acquisition has been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

The purpose of this circular is to provide the Shareholders with further information on such transactions and to give other information in relation to the Company.

### 2. PROPOSED ACQUISITION

#### The Equity Transfer Contract

Major terms of the Equity Transfer Contract are summarised as below:–

Date	:	29th October 2007
Parties	:	(1) The Company (2) Xuhui SAAC
Nature of the transaction	:	Pursuant to the Equity Transfer Contract, Xuhui SAAC has agreed to sell, and the Company has agreed to purchase, a 19% equity interest in Shanghai Urban Development.
Consideration	:	The Consideration of RMB1,568,707,100 (equivalent to approximately HK\$1,634,070,000), is the price quoted by Xuhui SAAC in the listed offer documents. As disclosed in the relevant listed offer documents, the Company was given to understand that the consideration was determined by reference to the appraised net asset value of Shanghai Urban Development as at the Valuation Date of approximately RMB7,203,721,600 (equivalent to approximately HK\$7,503,877,000).

The Consideration is payable in full in cash in either Hong Kong dollars or United States dollars within five business days from the effective date of the Equity Transfer Contract.

The Company has already paid RMB300,000,000 (equivalent to approximately HK\$312,500,000 to 上海聯合產權交易所 (Shanghai United Assets and Equity Exchange) as security deposit. Such deposit will be paid to Xuhui SAAC as part of the Consideration if the Equity Transfer Contract becomes effective or will be refunded to the Company if the Company's failure to pay the Consideration is caused by reasons other than its breaches.

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## LETTER FROM THE BOARD

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Non-disposal Undertaking : The Company has undertaken to Xuhui SAAC that for a period of five years after the acquisition of the 19% equity interest in Shanghai Urban Development pursuant to the Equity Transfer Contract, the Company shall not transfer or pledge to others such equity interest, without the approval of Xuhui SAAC.

Other Undertakings : The Company has also undertaken to Xuhui SAAC that:

- (1) if Shanghai Urban Development needs to increase its capital, the Company will contribute to such increase in capital in cash in proportion to its equity interest in Shanghai Urban Development; and
- (2) if Shanghai Urban Development needs to borrow money from financial institutions due to its business needs, the Company will provide guarantee in respect of such borrowing in proportion to its equity interest in Shanghai Urban Development.

The Company and Xuhui SAAC have agreed, among other things, that:

- (1) in respect of certain assets of Shanghai Urban Development which had been appraised at certain value or at zero value, if the actual value of such assets finally turn out to be different from the appraised value, any shortfall or excess shall be borne by or belong to (as the case may be) Xuhui SAAC;
- (2) the Company shall cooperate with Xuhui SAAC in the latter's exercise of its ownership rights over certain assets which have been excluded from the scope of valuation but are still registered in the name of Shanghai Urban Development; and
- (3) if 上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co. Ltd.) incurs liabilities under various guarantees given by it in respect of certain loans obtained by Shanghai Urban Development from banks prior to the signing of the Equity Transfer Contract, such economic loss shall

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## LETTER FROM THE BOARD

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be borne by Shanghai Urban Development in accordance with the law. Whereas, if Shanghai Urban Development incurs liabilities under various guarantees given by it in respect of certain loans obtained by 上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co. Ltd.) from banks prior to the signing of the Equity Transfer Contract, Xuhui SAAC shall compensate Shanghai Urban Development in respect of the actual economic loss suffered by Shanghai Urban Development out of Xuhui SAAC's share of the future profits of Shanghai Urban Development in respect of its 41% equity interest.

- Board composition of Shanghai Urban Development : The board of directors of Shanghai Urban Development shall consist of seven members. The Company and Xuhui SAAC are entitled to appoint four directors and three directors of Shanghai Urban Development respectively. The chairman of the board of directors of Shanghai Urban Development shall be appointed by the Company and the vice-chairman of the board of directors of Shanghai Urban Development shall be appointed by Xuhui SAAC.
- Others : Xuhui SAAC and the Company have agreed that at the same time as the implementation of the Equity Transfer Contract, the joint venture contract and the joint venture articles of Shanghai Urban Development shall be amended in accordance with the relevant laws and regulations of the PRC.
- Effective Date : The Equity Transfer Contract will become effective when it is approved by the relevant approval authorities in the PRC. It is agreed that subject to the compliance of the requirements of the Listing Rules in respect of the Proposed Acquisition, the Acquisition Documents shall be submitted to the approval authorities with competent jurisdiction. As at the Latest Practicable Date, the application of approval by the relevant authorities was in progress.

### **Corporate structure before and after completion of the Proposed Acquisition**

Following completion of the Proposed Acquisition, the Company's equity interest in Shanghai Urban Development will be increased from 40% to 59% and Shanghai Urban Development will be accounted for as a non-wholly owned subsidiary of the Company. Hence, the financial results of Shanghai Urban Development will be consolidated into the Group.



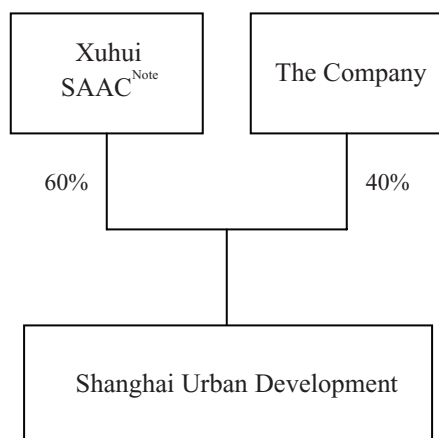
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## LETTER FROM THE BOARD

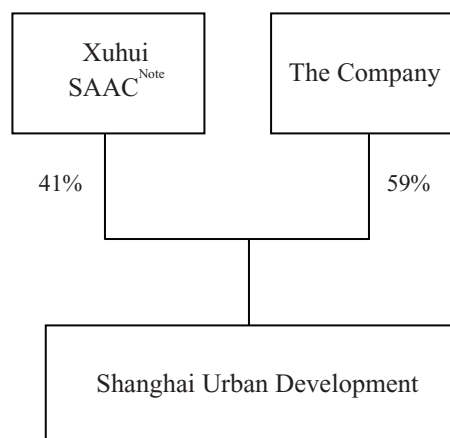
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Set out below are the shareholding structures of Shanghai Urban Development as at the Latest Practicable Date and immediately after completion of the Proposed Acquisition respectively:

### As at the Latest Practicable Date



### Immediately after completion of the Proposed Acquisition



*Note:* Xuhui SAAC is authorised by Shanghai Xuhui District People's Government to exercise state-owned shareholder's rights.

### Reasons for and Benefits of the Proposed Acquisition

The management team of Shanghai Urban Development is experienced in the development of real estates. The Company enjoys good reputation in the real estate industry in Shanghai, winning honours including "Top 100 Real Estate Enterprises in the PRC" and "Top Ten Fastest Growing Real Estate Enterprises" in 2006. It is expected that further acquisition of interest in Shanghai Urban Development thereby obtaining a controlling stake will enable the Company to rapidly establish a dynamic platform for real estate business of the Group. The expansion in the scale of its investments in real estate business will benefit from the solid financial strength of the Company, a low gearing ratio and a strong cash flow position.

Based on the due diligence on Shanghai Urban Development conducted by the Company and the information gathered and the internal assessment of the asset value of Shanghai Urban Development and after taking into account the rise in property values in the PRC property market and the fact that the Proposed Acquisition will result in the Company obtaining a controlling stake in Shanghai Urban Development, the Directors consider that the Consideration is fair and reasonable so far as the Company and the Shareholders are concerned. The Directors also consider that the Equity Transfer Contract is on normal commercial terms and is fair and reasonable so far as the Company and the Shareholders are concerned. The Directors consider the entering into of the Equity Transfer Contract is in the interest of the Company and the Shareholders as a whole and would recommend the Shareholders to vote in favour of the resolution to approve the Proposed Acquisition if a general meeting were to be held for such purpose.

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## LETTER FROM THE BOARD

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### Source of Funding

The Company will fund the Consideration by the internal resources of the Company.

### 3. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Upon Completion, Shanghai Urban Development will become a non wholly-owned subsidiary of the Company and the post-acquisition financial results of Shanghai Urban Development will be consolidated to the results of the Group.

#### (i) Net assets value

Based on the unaudited pro forma statement of the Enlarged Group as set out in Appendix III to this circular, it is estimated that the unaudited pro forma total assets and total liabilities of the Enlarged Group will be increased by approximately HK\$14,407 million and HK\$9,497 million respectively and the unaudited pro forma minority interests of the Enlarged Group will be increased by approximately HK\$4,910 million. As a result, the unaudited pro forma equity attributable to equity holders of the Company of the Enlarged Group will be approximately HK\$18,173 million. There will be no change of equity attributable to equity holders of the Company upon completion of the acquisition.

#### (ii) Earnings

Upon Completion, the financial results of the Enlarged Group shall include 19% of the financial result of Shanghai Urban Development. In addition, the Enlarged Group will record a goodwill of an amount equivalent to the amount of premium paid by the Company over the net asset value of Shanghai Urban Development attributable to the Enlarged Group. In accordance with the Group's current accounting policies, such goodwill will be tested annually for impairment.

### 4. MANAGEMENT DISCUSSION AND ANALYSIS OF SHANGHAI URBAN DEVELOPMENT

#### Business carried on by Shanghai Urban Development

Shanghai Urban Development was established in 1996 and was converted from a state-owned enterprise to a Sino-foreign equity joint venture company in July 2007 following the acquisition by the Company of a 40% equity interest in it. As at the Latest Practicable Date, Shanghai Urban Development had a registered capital of Shanghai Urban Development RMB301.33 million and was owned as to 60% by Xuhui SAAC and as to 40% by the Company.

Shanghai Urban Development and its subsidiaries together have a land reserve with a total gross floor area of about 2 million square meters for development, which includes commercial and residential development projects in Shanghai, Kunshan (Jiangsu province), Changsha (Hunan province) and Hefei (Anhui province). Among these projects are "Xujiahui Centre" and "Urban Cradle" in which Shanghai Urban Development has a 60% and 90%

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## LETTER FROM THE BOARD

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interest respectively. “Xujiahui Centre” (currently in the planning stage) is located above the Xuhui subway station in the main commercial hub of Shanghai and will be one of the largest comprehensive commercial projects in downtown Shanghai, which has a planned development site area of approximately 13.2 hectares. “Urban Cradle” (five out of the six phases are currently under development) is one of the largest residential projects in southwest Shanghai, within the Middle Ring Road territory with a planned development site area of approximately 94.3 hectares.

The current principal activities of Shanghai Urban Development and its subsidiaries include real estate development and consultancy services, resettlement work, ancillary construction equipment, construction material, industrial investment, domestic trading (specially regulated ones excepted) and property sales, leasing and management.

### Financial information on Shanghai Urban Development

The accountants’ report on Shanghai Urban Development has been set out in Appendix II to this circular. Set out below is a summary of the audited consolidated financial results and consolidated net asset value of Shanghai Urban Development for each of the three years ended 31st December 2004, 2005 and 2006, the seven months ended 31st July 2007 and the corresponding seven months ended 31st July 2006 unaudited consolidated financial results prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as extracted from the accountants’ report on Shanghai Urban Development:

	Year ended 31st December			Seven months ended	
	2004	2005	2006	31st July 2006	2007
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
Consolidated turnover	2,707,752	2,045,828	4,185,095	3,344,044	1,222,214
Consolidated profit/ (loss) before taxation and minority interests	380,576	63,854	789,938	840,978	(13,830)
Consolidated profit after taxation and minority interests	223,179	39,040	299,048	338,094	(27,051)
Consolidated equity attributable to equity holders of Shanghai Urban Development	484,798	453,546	758,463	N/A	2,923,993

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## LETTER FROM THE BOARD

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### **Review on past performance**

#### ***Consolidated turnover***

For each of the three years ended 31st December 2006 and the seven months ended 31st July 2007, turnover of Shanghai Urban Development was approximately RMB2,707,752,000, RMB2,045,828,000, RMB4,185,095,000 and RMB1,222,214,000 respectively. Turnover of Shanghai Urban Development was derived from the operation of property development, sales and related services as well as supermarket business in the PRC during the three years ended 31st December 2006 and the seven months ended 31st July 2007. The fluctuation in turnover during the periods was mainly due to number of flats completed and sold.

#### ***Consolidated profit after taxation and minority interests***

Shanghai Urban Development recorded consolidated profit after taxation and minority interests of approximately RMB223,179,000, RMB39,040,000, RMB299,048,000 and RMB27,051,000 for the three years ended 31st December 2006 and the seven months ended 31st July 2007 respectively.

### **Review on financial position**

#### ***Consolidated total assets***

The consolidated total assets of Shanghai Urban Development as at 31st December 2004, 2005 and 2006 and 31st July 2007 were approximately RMB6,167,723,000, RMB7,904,861,000, RMB8,193,339,000 and RMB11,273,183,000 respectively. The major assets of Shanghai Urban Development were inventories of approximately RMB4,366,830,000, RMB4,673,491,000, RMB5,522,627,000 and RMB5,670,788,000 respectively, accounted for around 70.8%, 59.1%, 67.4% and 50.3% of its consolidated total assets respectively.

#### ***Consolidated total liabilities***

As at 31st December 2004, 2005 and 2006 and 31st July 2007, the consolidated total liabilities of Shanghai Urban Development were approximately RMB5,500,663,000, RMB7,260,938,000, RMB6,802,341,000 and RMB7,752,845,000 respectively. The major liabilities of Shanghai Urban Development were trade and other payables and bank borrowings to finance the property development business.

#### ***Liquidity and financial resources***

As at 31st December 2004, 2005 and 2006, the working capital of Shanghai Urban Development was mainly financed by bank borrowing. As at 31st July 2007, the working capital of Shanghai Urban Development was strengthened by the capital contribution from the Company to acquire 40% of equity interest of Shanghai Urban Development and financial support from shareholders, it is anticipated that Shanghai Urban Development should have adequate financial resources to meet its ongoing operating and development requirements.

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## LETTER FROM THE BOARD

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### *Gearing ratio*

Shanghai Urban Development had interest-bearing borrowing approximately RMB1,399,000,000, RMB2,777,000,000, RMB3,162,500,000 and RMB3,447,500,000 as at 31st December 2004, 2005 and 2006 and 31st July 2007 respectively, and the net debt ratio of Shanghai Urban Development was approximately 50.5%, 37.8%, 47.9% and 3.2% as at 31st December 2004, 2005 and 2006 and 31st July 2007 respectively.

### *Treasury policies*

Shanghai Urban Development had no formal treasury policy and did not entered into any form of financial arrangement for hedging during the three years ended 31st December 2006 and the seven months ended 31st July 2007.

### *Capital structure*

Shanghai Urban Development is a state-owned enterprise established in the PRC on 30th April 1996 with registered and paid up capital of RMB180,800,000. On 27th June 2007, the Company and the PRC JV Partner, Xuhui SAAC entered into a Capital Contribution Agreement, pursuant to which the Company has agreed to make a capital contribution of RMB2,130,660,600 to Shanghai Urban Development, of which RMB120,530,000 was contributed to the registered capital of Shanghai Urban Development and the remaining RMB2,010,130,600 was contributed to its capital reserve. The Capital Contribution was injected in July 2007 and was reflected in capital and reserve of Shanghai Urban Development as at 31st July 2007.

### *Foreign exchange risk management*

During the three years ended 31st December 2006 and the seven months ended 31st July 2007, the transactions entered into by Shanghai Urban Development were mainly denominated in RMB. It is expected that its exposure to foreign exchange risk is minimal. Therefore, no formal foreign exchange risk management policy was adopted by Shanghai Urban Development.

### *Capital commitments, pledge of assets and contingent liabilities*

As at 31st December 2005, Shanghai Urban Development had capital commitment for acquisition of an associate of approximately RMB18,000,000. As at 31st December 2004, 2005 and 2006 and 31st July 2007, Shanghai Urban Development had capital commitments for acquisition of property, plant and equipment of approximately RMB4,172,000, RMB9,483,000, nil and RMB2,584,000 respectively. Shanghai Urban Development used its internal resources to finance such commitment.

As at 31st December 2004, 2005 and 2006 and 31st July 2007, assets of Shanghai Urban Development of approximately RMB985,216,000, RMB842,316,000, RMB2,104,842,000 and RMB2,855,332,000 respectively had been pledged to banks to secure general banking facilities granted to Shanghai Urban Development.

As at 31st December 2004, 2005 and 2006 and 31st July 2007, no contingent liability was identified.

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## LETTER FROM THE BOARD

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### *Employees and remuneration policies*

As at 31st December 2004, 2005 and 2006 and 31st July 2007, Shanghai Urban Development had 6,239, 7,432, 7,685 and 7,496 employees in the PRC respectively. The total staff costs for the three years ended 31st December 2006 and the seven months ended 31st July 2007 amounted to approximately RMB118,574,000, RMB138,025,000, RMB170,380,000 and RMB109,527,000 respectively. Employees are remunerated according to their performance and work experience.

### *Significant investments, material acquisition and disposals/future plans for material investments*

#### *Acquisition of subsidiaries*

During the year ended 31st December 2006, the Shanghai Urban Development acquired certain subsidiaries, details of which are as follows:

In March 2006, the Shanghai Urban Development acquired 60% of the issued share capital of Shanghai Jiujiu Plaza Investment Development Co., Ltd. for a consideration of RMB16,925,000. This acquisition has been accounted for using the purchase method and no goodwill or discount on acquisition was arose on this acquisition.

In July 2006, the Shanghai Urban Development's equity interest in Shanghai Huanyu Urban Investment Development Co., Ltd. was increased from 30% to 60% as a result of a further 30% contribution from Xuhui SAAC. Shanghai Huanyu Urban Investment Development Co., Ltd. is a Sino-foreign equity joint venture company established in the PRC and is previously classified as an associate of the Shanghai Urban Development.

#### *Disposal of subsidiaries*

In February 2004, the Shanghai Urban Development disposed of its entire equity interest in Shanghai Urban Development Assets and Equity Agency Co., Ltd. for a consideration of RMB50,000,000.

In December 2005, the Shanghai Urban Development disposed of its entire equity interest in Shanghai Urban Development International Trade Co., Ltd. for a consideration of RMB1,821,000.

In January 2006, the Shanghai Urban Development disposed of its entire equity interests in Shanghai Kai Wen Ke Lan Comestic Co., Ltd. for a consideration of RMB2,550,000.

In March 2007, the Shanghai Urban Development's equity interest in Shanghai Jiujiu Plaza was diluted from 60% to 19.9% as a result of capital injection by external investors.

Except as disclosed in the accountants' report as set out in Appendix II to this circular, Shanghai Urban Development had no plan for any significant investment, acquisition and disposal as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### 5. LISTING RULES IMPLICATIONS

Prior to the Proposed Acquisition, Shanghai Urban Development was held as to 40% by the Company, while after the Proposed Acquisition, Shanghai Urban Development would be held as to 59% of the Company. As the assets of Shanghai Urban Development will be consolidated into the accounts of the Group after the Proposed Acquisition, 100% of the total assets, profits and revenue have been used in the calculation of the size tests under Rule 14.28(1) of the Listing Rules.

In respect of the Proposed Acquisition, as all the applicable percentage ratios (except the consideration ratio) calculated in accordance with Chapter 14 of the Listing Rules are more than 25% but less than 100%, it constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Proposed Acquisition is subject to reporting, announcement and shareholders' approval requirements of the Listing Rules.

#### Shareholders' Approval

The Company has obtained written approval of the Equity Transfer Contract from the companies controlled by SIIC which together hold as at the date of such approval approximately 51.21% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company. These companies, namely, Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited and SIIC CM Development Limited, altogether holding 548,076,000 Shares at the date of such approval are all wholly-owned subsidiaries of SIIC and constitute a closely allied group of shareholders under Rule 14.45 of the Listing Rules. Apart from SIIC, no connected person of the Company holds any shares in any of these three Shareholders. Any Shareholders with a material interest in the Proposed Acquisition and his associates will abstain from voting on the Proposed Acquisition. None of the Shareholders is materially interested in the Proposed Acquisition and, as such, no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Proposed Acquisition.

Pursuant to Rule 14.44 of the Listing Rules, the Proposed Acquisition has been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

### 6. GENERAL INFORMATION

The Group is principally engaged in the business of real estate investment, infrastructure facilities, medicine and consumer products.

Xuhui SAAC is a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, to exercise state-owned shareholders' right over Shanghai Urban Development.

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## LETTER FROM THE BOARD

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### 7. ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**CAI LAI XING**  
*Chairman*



## FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statement and consolidated balance sheet of the Group for the three years ended 31st December 2006 as extracted from the relevant annual reports of the Group for the years presented.

	Year ended 31st December		
	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>			
Turnover	6,851,023	6,025,285	3,428,939
Cost of sales	(4,307,078)	(3,719,705)	(1,505,051)
Gross profit	2,543,945	2,305,580	1,923,888
Investment income	726,676	389,460	233,570
Other income	310,815	162,361	31,127
Distribution costs	(873,253)	(830,374)	(741,799)
Administrative expenses	(792,179)	(716,676)	(401,784)
Other expenses	(1,900)	(9,648)	(144,532)
Finance costs	(104,555)	(82,024)	(19,317)
Share of results of jointly controlled entities	21,152	2,839	76,201
Share of results of associates	157,215	102,532	254,132
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	23,842	180,661	698,523
Allowance for amount due from a jointly controlled entity	–	–	(33,376)
Dilution loss on share reform of a subsidiary	(214,955)	–	–
Loss on share reform of an associate	(27,739)	–	–
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and a jointly controlled entity	(32,352)	(26,185)	(191,232)
Discount on acquisition of additional interests in subsidiaries	–	2,324	–
Impairment loss on assets classified as held for sale	–	(31,247)	–
Profit before taxation	1,736,712	1,449,603	1,685,401
Income tax expenses	(236,442)	(194,042)	(186,152)
Profit for the year	<u>1,500,270</u>	<u>1,255,561</u>	<u>1,499,249</u>
Earnings per share – basic	<u>HK\$1.30</u>	<u>HK\$1.07</u>	<u>HK\$1.45</u>

	As at 31st December		
	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
Total assets	23,658,128	21,972,155	20,606,861
Total liabilities	3,927,133	3,764,126	3,515,634
Minority interests	<u>2,225,614</u>	<u>1,832,137</u>	<u>1,476,366</u>
Equity attributable to equity holders of the Company	<u>17,505,381</u>	<u>16,375,892</u>	<u>15,614,861</u>
Shareholders' equity per share	<u>HK\$18.07</u>	<u>HK\$16.93</u>	<u>HK\$16.29</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP****Consolidated Income Statement***For the year ended 31st December 2006*

		<b>2006</b>	<b>2005</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	6	6,851,023	6,025,285
Cost of sales		<u>(4,307,078)</u>	<u>(3,719,705)</u>
Gross profit		2,543,945	2,305,580
Investment income	7	726,676	389,460
Other income		310,815	162,361
Distribution costs		(873,253)	(830,374)
Administrative expenses		(792,179)	(716,676)
Other expenses		(1,900)	(9,648)
Finance costs	8	(104,555)	(82,024)
Share of results of jointly controlled entities		21,152	2,839
Share of results of associates		157,215	102,532
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	9	23,842	180,661
Dilution loss on share reform of a subsidiary	10	(214,955)	–
Loss on share reform of an associate		(27,739)	–
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and a jointly controlled entity		(32,352)	(26,185)
Discount on acquisition of additional interests in subsidiaries		–	2,324
Impairment loss on assets classified as held for sale	34	<u>–</u>	<u>(31,247)</u>
Profit before taxation		1,736,712	1,449,603
Income tax expenses	11	<u>(236,442)</u>	<u>(194,042)</u>
Profit for the year	12	<u>1,500,270</u>	<u>1,255,561</u>
Attributable to			
– Equity holders of the Company		1,257,778	1,027,940
– Minority interests		<u>242,492</u>	<u>227,621</u>
		<u>1,500,270</u>	<u>1,255,561</u>
Dividends	14	<u>426,058</u>	<u>529,805</u>
Earnings per share	15		
– Basic		<u>HK\$1.30</u>	<u>HK\$1.07</u>
– Diluted		<u>HK\$1.29</u>	<u>HK\$1.06</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP****Consolidated Balance Sheet***At 31st December 2006*

	<i>Notes</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>Non-Current Assets</b>			
Investment properties	16	80,570	51,830
Property, plant and equipment	17	2,671,797	2,404,338
Prepaid lease payments – non-current portion	18	251,016	225,238
Toll road operating right	19	1,778,596	1,776,798
Other intangible assets	20	89,659	95,077
Goodwill	21	421,825	397,987
Interests in jointly controlled entities	23	2,444,993	2,390,508
Interests in associates	24	3,793,890	3,868,057
Available-for-sale investments	25	197,109	321,054
Loan receivables – non-current portion	26	3,689	4,277
Deposits paid on acquisition of property, plant and equipment	27	664,945	26,326
Deposit paid on acquisition of a subsidiary	28	–	68,269
Derivative financial instruments	29	–	6,421
Deferred tax assets	41	28,762	25,876
		<u>12,426,851</u>	<u>11,662,056</u>
<b>Current Assets</b>			
Inventories	30	1,216,612	1,215,725
Trade and other receivables	31	1,513,127	1,539,861
Prepaid lease payments – current portion	18	7,035	8,129
Loan receivables – current portion	26	–	62,757
Financial assets at fair value through profit or loss	32	1,660,111	1,070,042
Pledged bank deposits	33	28,560	28,000
Short-term bank deposits	33	674,845	275,804
Bank balances and cash	33	6,102,154	5,764,596
		<u>11,202,444</u>	<u>9,964,914</u>
Assets classified as held for sale	34	<u>28,833</u>	<u>345,185</u>
		<u>11,231,277</u>	<u>10,310,099</u>
<b>Current Liabilities</b>			
Trade and other payables	35	1,535,920	1,297,662
Taxation payable		102,464	65,236
Short-term bank and other borrowings	36	614,741	1,320,175
		<u>2,253,125</u>	<u>2,683,073</u>
<b>Net Current Assets</b>		<u>8,978,152</u>	<u>7,627,026</u>
<b>Total Assets Less Current Liabilities</b>		<u>21,405,003</u>	<u>19,289,082</u>

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**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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**Consolidated Balance Sheet***At 31st December 2006*

	<i>Notes</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Capital and Reserves			
Share capital	37	96,850	96,753
Reserves		<u>17,408,531</u>	<u>16,279,139</u>
Equity attributable to equity holders of the Company		17,505,381	16,375,892
Minority interests		<u>2,225,614</u>	<u>1,832,137</u>
Total Equity		<u>19,730,995</u>	<u>18,208,029</u>
Non-Current Liabilities			
Long-term bank and other borrowings	36	1,561,962	973,574
Deferred tax liabilities	41	<u>112,046</u>	<u>107,479</u>
		<u>1,674,008</u>	<u>1,081,053</u>
		<u>21,405,003</u>	<u>19,289,082</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP****Balance Sheet***At 31st December 2006*

	<i>Notes</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>Non-Current Assets</b>			
Property, plant and equipment	17	5,388	6,134
Investment in subsidiaries	22	1,023,154	1,023,154
Investment in a jointly controlled entity	23	–	141,673
Derivative financial instruments	29	–	6,421
		<u>1,028,542</u>	<u>1,177,382</u>
<b>Current Assets</b>			
Deposits, prepayments and other receivables		13,299	13,345
Amounts due from subsidiaries	40	12,391,032	13,271,642
Short-term bank deposits	33	453,688	171,823
Bank balances and cash	33	<u>2,864,133</u>	<u>1,940,841</u>
		<u>15,722,152</u>	<u>15,397,651</u>
<b>Current Liabilities</b>			
Other payables and accrued charges		41,059	38,873
Amounts due to subsidiaries	40	632,762	387,734
Short-term bank borrowings	36	–	800,000
		<u>673,821</u>	<u>1,226,607</u>
<b>Net Current Assets</b>		<u>15,048,331</u>	<u>14,171,044</u>
<b>Total Assets Less Current Liabilities</b>		<u><u>16,076,873</u></u>	<u><u>15,348,426</u></u>
<b>Capital and Reserves</b>			
Share capital	37	96,850	96,753
Reserves	39	<u>15,980,023</u>	<u>14,451,673</u>
		16,076,873	14,548,426
<b>Non-Current Liabilities</b>			
Long-term bank borrowings	36	–	800,000
		<u><u>16,076,873</u></u>	<u><u>15,348,426</u></u>

# APPENDIX I

# FINANCIAL INFORMATION OF THE GROUP

## Consolidated Statement of Changes in Equity

For the year ended 31st December 2006

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Other revaluation reserve HK\$'000 (note i)	Hedging reserve HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (note ii)	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January 2005	95,864	10,032,631	2,800	1,071	–	(3,328)	–	35,655	385,074	5,063,969	15,613,736	1,476,366	17,090,102
Gain on cash flow hedges	–	–	–	–	–	9,749	–	–	–	–	9,749	–	9,749
Exchange difference arising from translation of financial statements	–	–	–	–	–	–	–	76,942	–	–	76,942	23,186	100,128
Share of exchange difference arising from translation of financial statements of jointly controlled entities	–	–	–	–	–	–	–	44,177	–	–	44,177	–	44,177
Share of exchange difference arising from translation of financial statements of associates	–	–	–	–	–	–	–	20,334	–	–	20,334	–	20,334
Fair value adjustment on acquisition of subsidiaries	–	–	–	–	8,144	–	–	–	–	–	8,144	572	8,716
Net income recognised directly in equity	–	–	–	–	8,144	9,749	–	141,453	–	–	159,346	23,758	183,104
Profit for the year	–	–	–	–	–	–	–	–	–	1,027,940	1,027,940	227,621	1,255,561
Realised on disposal of interest in subsidiaries	–	–	–	–	–	–	–	11	–	–	11	–	11
Realised on disposal of interest in jointly controlled entities	–	–	–	–	–	–	–	(3,576)	(800)	–	(4,376)	–	(4,376)
Realised on disposal of interest in an associate	–	–	–	–	–	–	–	(26)	–	–	(26)	–	(26)
Total recognised income and expense for the year	–	–	–	–	8,144	9,749	–	137,862	(800)	1,027,940	1,182,895	251,379	1,434,274
Exercise of share options	889	–	–	–	–	–	–	–	–	–	889	–	889
Premium arising on issue of shares	–	103,271	–	–	–	–	–	–	–	–	103,271	–	103,271
Transaction costs attributable to issue of new shares	–	(121)	–	–	–	–	–	–	–	–	(121)	–	(121)
Recognition of equity-settled share-based payment expenses	–	–	5,027	–	–	–	–	–	–	–	5,027	1,111	6,138
Transfers	–	–	–	–	–	–	–	–	68,826	(68,826)	–	–	–
Capital contributions by minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	84,159	84,159
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(110,994)	(110,994)
Acquisition on additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(79,100)	(79,100)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	209,706	209,706
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,825	1,825
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(2,315)	(2,315)
Dividends paid (note 14)	–	–	–	–	–	–	–	–	–	(529,805)	(529,805)	–	(529,805)
At 31st December 2005	96,753	10,135,781	7,827	1,071	8,144	6,421	–	173,517	453,100	5,493,278	16,375,892	1,832,137	18,208,029

# APPENDIX I

# FINANCIAL INFORMATION OF THE GROUP

	Attributable to equity holders of the Company											Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Other revaluation reserve HK\$'000 (note i)	Hedging reserve HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (note ii)	Accumulated profits HK\$'000	Total HK\$'000		
At 1st January 2006	96,753	10,135,781	7,827	1,071	8,144	6,421 (6,421)	–	173,517	453,100	5,493,278	16,375,892 (6,421)	1,832,137	18,208,029 (6,421)
Loss on cash flow hedges	–	–	–	–	–	–	–	–	–	–	–	–	–
Exchange difference arising from translation of financial statements	–	–	–	–	–	–	–	156,992	–	–	156,992	63,863	220,855
Share of exchange difference arising from translation of financial statements of jointly controlled entities	–	–	–	–	–	–	–	92,317	–	–	92,317	–	92,317
Share of exchange difference arising from translation of financial statements of associates	–	–	–	–	–	–	–	45,217	–	–	45,217	–	45,217
Fair value adjustment on available-for-sale investments	–	–	–	–	–	–	4,002	–	–	–	4,002	–	4,002
Net income recognised directly in equity	–	–	–	–	–	(6,421)	4,002	294,526	–	–	292,107	63,863	355,970
Profit for the year	–	–	–	–	–	–	–	–	–	1,257,778	1,257,778	242,492	1,500,270
Realised on dilution of interest on share reform of a subsidiary	–	–	–	–	–	–	–	(3,778)	(3,319)	3,319	(3,778)	–	(3,778)
Realised on disposal of interest in subsidiaries	–	–	–	–	–	–	–	(31)	–	–	(31)	–	(31)
Realised on disposal of interest in an associate	–	–	–	–	–	–	–	(13,195)	(43,931)	43,931	(13,195)	–	(13,195)
Dilution of interest on share reform of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	214,481	214,481
Total recognised income and expense for the year	–	–	–	–	–	(6,421)	4,002	277,522	(47,250)	1,305,028	1,532,881	520,836	2,053,717
Exercise of share options	97	–	–	–	–	–	–	–	–	–	97	–	97
Premium arising on issue of shares	–	11,547	–	–	–	–	–	–	–	–	11,547	–	11,547
Release of share options reserve on exercise of share options	–	72	(72)	–	–	–	–	–	–	–	–	–	–
Reversal upon cancellation of share option	–	–	(321)	–	–	–	–	–	–	321	–	–	–
Transaction costs attributable to issue of new shares	–	(25)	–	–	–	–	–	–	–	–	(25)	–	(25)
Recognition of equity-settled share-based payment expenses	–	–	11,047	–	–	–	–	–	–	–	11,047	31	11,078
Transfers	–	–	–	–	–	–	–	–	73,064	(73,064)	–	–	–
Capital contributions by minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	2,509	2,509
Capital refunds to minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(11,250)	(11,250)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(137,822)	(137,822)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(4,703)	(4,703)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	19,584	19,584
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(315)	(315)
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	4,607	4,607
Dividends paid (note 14)	–	–	–	–	–	–	–	–	–	(426,058)	(426,058)	–	(426,058)
At 31st December 2006	96,850	10,147,375	18,481	1,071	8,144	–	4,002	451,039	478,914	6,299,505	17,505,381	2,225,614	19,730,995

## Notes:

- (i) Other revaluation reserve represents fair value adjustment on acquisition of subsidiaries relating to interests previously held by the Group as associates.
- (ii) The People's Republic of China, other than Hong Kong (the "PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, jointly controlled entities and associates.



**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP****Consolidated Cash Flow Statement***For the year ended 31st December 2006*

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Profit before taxation	1,736,712	1,449,603
Adjustments for:		
Dividend income from listed equity investments	(3,514)	(5,231)
Dividend income from unlisted equity investments	(38,546)	(31,371)
Income from investments in other projects	(3,861)	(3,215)
Interest income	(266,562)	(156,115)
Interest expense	104,555	82,024
Rental income	(6,229)	(3,343)
Amortisation of toll road operating right	67,335	41,950
Amortisation of other intangible assets	13,861	6,978
Depreciation and amortisation of property, plant and equipment	234,786	211,538
Release of prepaid lease payments	6,873	5,500
(Gain) loss on disposal of property, plant and equipment	(386)	8,783
Gain on transfer of prepaid lease payments	(533)	–
Impairment loss recognised on available-for-sale investments	1,900	9,648
Increase in fair value of investment properties	(24,861)	(7,133)
Impairment loss on bad and doubtful debts	53,292	24,424
Research and development costs expensed	49,273	64,711
Gain on disposal of available-for-sale investments	(268,074)	–
Share of results of jointly controlled entities	(21,152)	(2,839)
Share of results of associates	(157,215)	(102,532)
Equity-settled share-based payment expense	11,078	6,138
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	(23,842)	(180,661)
Dilution loss on share reform of a subsidiary	214,955	–
Loss on share reform of an associate	27,739	–
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and a jointly controlled entity	32,352	26,185
Discount on acquisition of additional interests in subsidiaries	–	(2,324)
Impairment loss on assets classified as held for sale	–	31,247
Operating cash flows before movements in working capital	1,739,936	1,473,965
Decrease (increase) in inventories	60,180	(197,012)
(Increase) decrease in financial assets at fair value through profit or loss	(589,481)	13,994
(Increase) decrease in trade and other receivables	(1,647)	3,110
Increase (decrease) in trade and other payables	217,933	(362,361)
Cash generated from operations	1,426,921	931,696
PRC income tax paid	(123,722)	(122,583)
Hong Kong Profits Tax paid	(77,988)	(100,721)
Hong Kong Profits Tax refunded	–	17,772
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,225,211</b>	<b>726,164</b>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

		<b>2006</b>	<b>2005</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Increase in deposits paid on acquisition of property, plant and equipment		(638,619)	(505)
Purchase of property, plant and equipment		(458,894)	(350,112)
(Increase) decrease in bank deposits		(399,601)	320,088
Capital contributions to jointly controlled entities		(62,517)	(503,307)
Purchase of available-for-sale investments		(60,331)	(52,046)
Research and development costs paid		(49,273)	(64,711)
Increase in prepaid lease payments		(28,313)	(1,569)
Purchase of additional interest in subsidiaries		(9,187)	(83,368)
Capital contributions to an associate		(2,437)	–
Proceeds from disposal of available-for-sale investments		457,369	36,509
Proceeds from disposal of interests in associates		355,312	199,601
Interest received		266,562	155,924
Dividends received from associates		100,364	160,846
Net proceeds from share reform of an associate		83,584	–
Dividends received from jointly controlled entities		70,136	286,812
Repayment of loan receivables		63,345	–
Capital refunds from a jointly controlled entity		53,869	–
Dividends received from unlisted equity investments		38,546	31,371
Proceeds from disposal of investment properties		16,726	1,782
Proceeds from disposal of property, plant and equipment		12,893	4,836
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	42	11,038	43,896
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	43	9,149	4,122
Rental income received		6,229	3,343
Proceeds from partial disposal of interest in a subsidiary		4,607	5,686
Government grants received		3,879	2,587
Income received from investments in other projects		3,861	3,215
Dividends received from listed equity investments		3,514	5,231
Proceeds from transfer of prepaid lease payments		1,067	–
Proceeds from disposal of interests in jointly controlled entities		–	222,628
Decrease in placement of deposits with financial institutions		–	188,962
Repayment from a minority shareholder of a subsidiary		–	4,255
Loans advanced to a jointly controlled entity and a minority shareholder of a subsidiary		–	(68,350)
Deposit paid on acquisition of a subsidiary		–	(68,269)
Patents paid		–	(2,975)
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<u>(147,122)</u>	<u>486,482</u>

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	(2,066,230)	(640,022)
Dividends paid	(426,058)	(529,805)
Dividends paid to minority shareholders of subsidiaries	(137,822)	(110,994)
Interest paid on bank and other borrowings	(105,479)	(82,024)
Capital refunds to minority shareholders of a subsidiary	(11,250)	–
Expenses incurred in connection with the issue of shares	(25)	(121)
Borrowings raised	1,919,277	524,617
Proceeds from issue of shares	11,644	104,160
Capital contributions by minority shareholders of subsidiaries	<u>2,509</u>	<u>84,159</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(813,434)</u>	<u>(650,030)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	264,655	562,616
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	72,903	16,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,764,596</u>	<u>5,185,693</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	<u><u>6,102,154</u></u>	<u><u>5,764,596</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December 2006*

## 1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited, also incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the section of “Corporate Information” to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 52.

## 2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”) and interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are either effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years has been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results or the financial position of the Group except for HK(IFRIC)-INT 12 “Service Concession Arrangements” in which the Group has commenced considering the potential impact but not yet in a position to determine whether it would have a significant impact on the results or the financial position of the Group.

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

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1st March 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st May 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1st June 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1st November 2006.

<sup>7</sup> Effective for annual periods beginning on or after 1st March 2007.

<sup>8</sup> Effective for annual periods beginning on or after 1st January 2008.

**3. Significant Accounting Policies**

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

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

**Basis of consolidation**

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

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

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

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

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

**Business combinations**

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

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

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

**Goodwill*****Goodwill arising on acquisitions prior to 1st January 2005***

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

For previously capitalised goodwill arising on acquisitions after 1st January 2001, the Group has discontinued amortisation from 1st January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

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

Goodwill arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which the agreement date is on or after 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet. Capitalised goodwill arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate or jointly controlled entity.

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

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Additional interests in subsidiaries are measured at the aggregate of the carrying amounts of identified assets and liabilities of the subsidiaries and any excess of the consideration over the net assets acquired are accounted for as goodwill. Any excess of the net assets acquired over the consideration is recognised immediately in profit or loss.

For goodwill arising on acquisition of an associate or a jointly controlled entity, the goodwill included in the carrying amount of interests in an associate or a jointly controlled entity is not separately tested for impairment. Instead, the entire carrying amount of the interests in an associate or a jointly controlled entity is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associate or jointly controlled entity with its carrying amount. Any impairment loss identified is recognised and is allocated first to goodwill.

**Investment in subsidiaries**

Investment in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

**Interest in jointly controlled entities**

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition

changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

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

#### **Interest in associates**

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

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

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

#### **Non-current assets classified as held for sale**

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

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

#### **Revenue recognition**

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

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

Toll fee income from the operation of toll road, net of business tax payable in the PRC, is recognised at the time of usage and when the toll fee is received.

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

Income from those investments available-for-sale where the Group is contracted to receive a pre-determined minimum sum over the period of the investment is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment in these investments.

Rental income, including rental invoiced in advance from letting of properties and plant and machinery under operating leases, is recognised on a straight line basis over the period of the respective leases.

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

#### **Investment properties**

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

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

#### **Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Property, plant and equipment in the course of construction are carried at cost, less any identified impairment losses. Depreciation of these assets commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

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

#### **Prepaid lease payments**

Prepaid lease payments, which represents up-front payments to acquire leasehold land interest, are stated at cost and amortised over the period of the lease on a straight line basis.

#### **Leasing**

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

#### ***The Group as lessor***

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.



***The Group as lessee***

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

**Foreign currencies**

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

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

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

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

**Borrowing costs**

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

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

**Government grants**

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense.

**Retirement benefits costs**

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

**Taxation**

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

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

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

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

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

**Intangible assets**

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

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

***Toll road operating right***

Toll road operating right is stated at cost less amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost of toll road operating right on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll road.

***Patents***

Patents with definite useful lives are measured initially at cost and are amortised on a straight line basis over their estimated useful lives.

**Inventories**

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

**Financial instruments**

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

***Financial assets***

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

***Loans and receivables***

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

***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is

determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

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

#### ***Financial liabilities and equity***

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

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

#### ***Financial liabilities***

Financial liabilities including trade and other payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

#### ***Equity instruments***

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

#### ***Derivative financial instruments and hedging***

The Group uses derivative financial instruments (primarily interest rate swaps) to hedge its exposure against interest rate risks. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

#### ***Cash flow hedges***

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognised in equity and recycled into the consolidated income statement when the hedged items affects profit or loss. The ineffective portion is recognised immediately in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

#### ***Derecognition***

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

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

#### **Equity-settled share-based payment transactions**

For share options granted to employees of the Group after 7th November 2002 and had not vested on 1st April 2005, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in the share options reserve in equity.

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

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

#### **Impairment losses (other than goodwill)**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### **4. Critical Accounting Judgment and Key Sources of Estimation Uncertainty**

#### **Critical judgment in applying the Group's accounting policies**

##### ***Consolidation of a subsidiary***

During the year, the Group's equity interest in Shanghai Industrial Pharmaceutical Investment Co., Ltd. (formerly known as Shanghai Industrial United Holdings Co., Ltd.) ("SI Pharmaceutical"), a subsidiary of the Company, was diluted from 56.63% to 43.62% upon the completion of a share reform.

The directors of the Company are of the opinion that the Group still retains control over SI Pharmaceutical subsequent to the share reform plan as the remaining 56.38% shareholding of SI Pharmaceutical is dispersed and it is highly unlikely for the other shareholders to organise their interests to exercise control over the board of SI Pharmaceutical. Hence, the directors of the Company consider control over SI Pharmaceutical still exists through the right to appoint or remove the majority of the members of the board of directors of SI Pharmaceutical. Accordingly, SI Pharmaceutical continues to be accounted for as a subsidiary of the Company and the results of SI Pharmaceutical were consolidated in the consolidated financial statements.

**Key sources of estimation uncertainty**

The Group makes estimates and assumptions concerning the future. 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:

***Estimated impairment of goodwill***

Determining whether goodwill amounting to HK\$421,825,000 as at 31st December 2006 is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of impairment test are set out in note 21.

***Amortisation of toll road operating right***

Toll road operating right amounting to HK\$1,778,596,000 as at 31st December 2006 is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll road. If the actual traffic volume differs from the original projection, such difference will impact the amortisation for the remaining period to be amortised.

**5. Financial Instruments****(a) Financial risk management objectives and policies**

The Group's major financial instruments include equity and debt investments, borrowings, trade and other receivables, trade and other payables, loan receivables and bank balances and cash. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk******(i) Currency risk***

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in the United States dollar, Hong Kong dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Hong Kong dollar and Renminbi are both under managed floating systems, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

***(ii) Interest rate risk***

To complement the repayment of the original syndication loan of HK\$1,600 million, the Group terminated its related interest rate hedging arrangement during the year. To exercise prudent management against interest rate risk, the Group will continue to review the market trend, as well as its business operation needs and its financial position, in order to identify the most effective interest rate hedging means for the HK\$3 billion syndication loan raised in the fourth quarter of the year.

***(iii) Price risk***

The Group is exposed to equity price risk through available-for-sale investments and financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

***Credit risk***

As at 31st December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount disclosed in note 46 Contingent Liabilities.

The Group's principal financial assets are bank balances and cash, equity and debt investments, and trade and loan receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

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

**(b) Fair value**

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

- the fair value of financial assets traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and
- the fair value of derivative instruments are calculated using discounted cash flow analysis using the applicable yield curve.

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

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP****6. Turnover**

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Sales of goods	6,574,604	5,843,707
Income from infrastructure facilities	276,419	181,578
	<u>6,851,023</u>	<u>6,025,285</u>

**7. Investment Income**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Interest on bank deposits	239,918	135,620
Gain on disposal of available-for-sale investments	268,074	–
Dividend income from unlisted equity investments	38,546	31,371
Net increase in fair value of financial assets at fair value through profit or loss	139,890	190,185
Interest on debt securities	24,292	15,678
Other interest income	2,352	4,817
Dividend income from listed equity investments	3,514	5,231
Rental income from property, plant and equipment	6,229	3,343
Income from investments in available-for-sale investments	3,861	3,215
	<u>726,676</u>	<u>389,460</u>

**8. Finance Costs**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Interest on:		
Bank and other borrowings wholly repayable		
– within five years	105,318	81,916
– over five years	161	108
	<u>105,479</u>	<u>82,024</u>
Total borrowing costs	105,479	82,024
Less: amounts capitalised in construction in progress	(924)	–
	<u>104,555</u>	<u>82,024</u>



**9. Net Gain on Disposal of Interests in Subsidiaries, Associates and Jointly Controlled Entities**

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of interest in associates	26,823	126,541
Gain (loss) on disposal of interest in subsidiaries	3,468	(5,506)
Gain on deemed disposal of interest in an associate	583	12,506
Loss on deemed disposal of interest in a jointly controlled entity	(7,032)	–
Gain on disposal of interest in jointly controlled entities	–	43,259
Gain on partial disposal of interest in a subsidiary	–	3,861
	<u>23,842</u>	<u>180,661</u>

**10. Dilution Loss on Share Reform of a Subsidiary**

During the year, the share reform plan for conversion of all non-floating shares of SI Pharmaceutical into floating shares of SI Pharmaceutical was completed. Under the share reform plan, a wholly-owned subsidiary of the Company would offer all holders of floating shares of SI Pharmaceutical three non-floating shares for every ten floating shares held by each of such holders, in exchange for the consent by the holders of floating shares of SI Pharmaceutical to the conversion of all non-floating shares into floating shares of SI Pharmaceutical. Following the conversion of all non-floating shares of SI Pharmaceutical into floating shares of SI Pharmaceutical, the Group's equity interest in SI Pharmaceutical was diluted from 56.63% to 43.62%. A loss on share reform of HK\$214,955,000 was recognised during the year.

**11. Income Tax Expenses**

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong	86,106	75,952
– Other regions in the PRC	149,696	111,313
	<u>235,802</u>	<u>187,265</u>
Under(over)provision in prior years		
– Hong Kong	1,291	(15,759)
– Other regions in the PRC	(971)	–
	<u>320</u>	<u>(15,759)</u>
Deferred taxation ( <i>note 41</i> )	<u>320</u>	<u>22,536</u>
	<u>236,442</u>	<u>194,042</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are entitled to certain exemption and reliefs from PRC income tax for a number of years. Certain PRC subsidiaries are also entitled to reduced tax rates because they are classified as "high technology entities" under the relevant rules. The current year's PRC income tax charges are arrived at after taking into account these various tax incentives, ranging from 7.5% to 33%.

**APPENDIX I****FINANCIAL INFORMATION OF THE GROUP**

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

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Profit before taxation	<u>1,736,712</u>	<u>1,449,603</u>
Tax at PRC Statutory Tax rate of 33% (2005: 33%)	573,115	478,369
Tax effect of share of results of jointly controlled entities and associates	(58,861)	(34,772)
Tax effect of expenses not deductible for tax purpose	99,793	37,372
Tax effect of income not taxable for tax purpose	(166,482)	(105,097)
Under(over)provision in respect of prior years	320	(15,759)
Tax effect of tax losses not recognised	650	5,251
Utilisation of tax losses previously not recognised	(9,362)	(19,267)
Effect of tax exemption and tax reliefs granted to PRC subsidiaries	(62,472)	(74,088)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(140,648)	(76,322)
Others	<u>389</u>	<u>(1,645)</u>
Income tax expenses for the year	<u>236,442</u>	<u>194,042</u>

## 12. Profit for the Year

	2006 HK\$'000	2005 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expense for the year, including directors' emoluments:		
Basic salaries and allowances	500,810	421,390
Bonuses	73,840	68,014
Equity-settled share-based payment expense	8,200	4,965
Retirement benefits scheme contributions, net of forfeited contributions of HK\$678,000 (2005: HK\$399,000)	31,848	36,604
	<u>614,698</u>	<u>530,973</u>
Amortisation of toll road operating right (included in cost of sales)	67,335	41,950
Amortisation of other intangible assets (included in administrative expenses)	13,861	6,978
Depreciation and amortisation of property, plant and equipment	234,786	211,538
Release of prepaid lease payments to income statement	6,873	5,500
Total depreciation and amortisation	<u>322,855</u>	<u>265,966</u>
Auditors' remuneration	8,050	7,327
Equity-settled share-based payment expense in respect of options granted to other eligible participants	2,878	1,173
Impairment loss on bad and doubtful debts	53,292	24,424
Impairment loss recognised on available-for-sale investments (included in other expenses)	1,900	9,648
Increase in fair value of investment properties	(24,861)	(7,133)
(Gain) loss on disposal of property, plant and equipment	(386)	8,783
Gain on transfer of prepaid lease payments	(533)	–
Operating lease rentals in respect of equipment and motor vehicles	521	189
Operating lease rentals in respect of land and buildings to		
– ultimate holding company	7,640	7,279
– fellow subsidiaries	17,521	17,507
– others	18,078	23,967
Research and development costs	49,273	64,711
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	(1,542)	7,968
Share of PRC income tax of associates (included in share of results of associates)	10,823	45,949
Net foreign exchange gains	(39,368)	(19,909)
Cost of inventories recognised as an expense	4,209,506	3,651,223

## 13. Directors' Emoluments and Employees' Emoluments

## Directors' emoluments

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

	Cai Lai Xing	Cai Yu Tian	Qu Ding	Lu Ming Fang	Ding Zhong De	Qian Shi Zheng	Yao Fang	Tang Jun	Lo Ka Shui	Woo Chia-Wei	Leung Pak To, Francis	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' fees and committee remuneration of independent non-executive directors	-	-	-	-	-	-	-	-	304	292	292	888
Other emoluments of executive directors:												
Directors' fee and committee remuneration	-	-	50	200	-	-	200	200	-	-	-	650
Basic salaries and allowances	3,103	2,251	2,251	-	1,831	1,588	190	-	-	-	-	11,214
Bonuses	2,000	1,900	1,800	-	800	800	-	-	-	-	-	7,300
Equity-settled share-based payment expense	359	1,661	251	215	1,278	134	-	134	-	-	-	4,032
Retirement benefits scheme contributions	266	193	193	-	157	134	-	-	-	-	-	943
Total directors' emoluments	5,728	6,005	4,545	415	4,066	2,656	390	334	304	292	292	25,027

	Cai Lai Xing	Cai Yu Tian	Qu Ding	Lu Ming Fang	Ding Zhong De	Qian Shi Zheng	Yao Fang	Tang Jun	Lu Da Yong	Lu Shen	Lo Ka Shui	Woo Chia-Wei	Leung Pak To, Francis	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' fees and committee remuneration of independent non-executive directors	-	-	-	-	-	-	-	-	-	-	272	272	272	816
Other emoluments of executive directors:														
Basic salaries, allowances and committee remuneration	3,571	-	2,651	2,339	429	200	214	200	1,757	408	-	-	-	11,769
Bonuses	2,913	-	2,851	2,455	-	-	-	-	-	-	-	-	-	8,219
Equity-settled share-based payment expense	313	-	219	188	-	117	-	117	-	-	-	-	-	954
Retirement benefits scheme contributions	345	-	235	203	-	-	-	-	135	-	-	-	-	918
Total directors' emoluments	7,142	-	5,956	5,185	429	317	214	317	1,892	408	272	272	272	22,676

In the two years ended 31st December 2006, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.

Bonus were determined with reference to the Group's operating results, individual performances and comparable market statistics.

**Employees' emoluments**

During the year, the five highest paid individuals included 5 directors (2005: 4 directors) and details of their emoluments are set out above. The emoluments of the remaining highest paid individual for the year ended 31st December 2005 were as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Basic salaries and allowances	–	951
Bonuses	–	485
Equity-settled share-based payment expense	–	94
Retirement benefits scheme contributions	–	95
	<u>–</u>	<u>1,625</u>

**14. Dividends**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Ordinary shares:		
Interim – HK22 cents (2005: HK20 cents) per share	213,071	193,458
Final – HK22 cents (2004: HK35 cents) per share	<u>212,987</u>	<u>336,347</u>
	<u>426,058</u>	<u>529,805</u>

A final dividend of HK30 cents per share has been proposed by the Board of Directors and is subject to approval by the shareholders in annual general meeting.

**15. Earnings Per Share**

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

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Earnings:		
Profits for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	1,257,778	1,027,940
Effect of dilutive potential ordinary shares		
– adjustment to the share of results of a jointly controlled entity based on potential dilution of its earnings per share	<u>(3,261)</u>	<u>(2,240)</u>
Earnings for the purposes of diluted earnings per share	<u>1,254,517</u>	<u>1,025,700</u>

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	2006	2005
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	968,164,208	963,971,274
Effect of dilutive potential ordinary shares – share options	<u>1,625,102</u>	<u>2,925,399</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>969,789,310</u>	<u>966,896,673</u>

### 16. Investment Properties

	THE GROUP HK\$'000
FAIR VALUE	
At 1st January 2005	45,672
Exchange adjustments	807
Disposals	(1,782)
Net increase in fair value recognised in the income statement	<u>7,133</u>
At 31st December 2005	51,830
Exchange adjustments	2,748
Transfer from property, plant and equipment ( <i>note 17</i> )	17,857
Disposals	(16,726)
Net increase in fair value recognised in the income statement	<u>24,861</u>
At 31st December 2006	<u>80,570</u>

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

The Group's investment properties are situated in the PRC and are held under medium-term land use rights.

The fair value of the Group's investment properties at 31st December 2006 was arrived at on the basis of a valuation carried out on that date by Messrs. Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group. Messrs. Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to comparable sales transactions as available in the relevant market.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to HK\$6,229,000 (2005: HK\$2,327,000) with negligible direct operating expenses.

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# FINANCIAL INFORMATION OF THE GROUP

## 17. Property, Plant and Equipment

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1st January 2005	492,979	311,177	89,044	1,681,971	180,007	2,755,178
Exchange adjustments	4,966	1,799	1,556	18,000	3,496	29,817
Acquired on acquisition of subsidiaries	124,150	4,682	9,560	182,269	76,881	397,542
Additions	32,513	41,432	16,256	103,484	156,427	350,112
Transfers/reclassifications	144,951	5,203	3,505	108,139	(261,798)	–
Transfer to assets classified as held for sale	(12,394)	–	–	–	–	(12,394)
Attributable to disposal of subsidiaries	(16,444)	(219)	(73)	(5,848)	–	(22,584)
Disposals	(725)	(12,457)	(10,928)	(20,760)	–	(44,870)
Government grants received	–	–	–	(2,587)	–	(2,587)
At 31st December 2005	769,996	351,617	108,920	2,064,668	155,013	3,450,214
Exchange adjustments	20,954	4,488	4,085	45,184	6,575	81,286
Acquired on acquisition of a subsidiary	–	215	412	21,391	–	22,018
Additions	16,849	13,567	16,293	64,729	348,380	459,818
Transfers/reclassifications	56,720	5,600	686	214,129	(277,135)	–
Transfer to investment properties (note 16)	(18,602)	–	–	–	–	(18,602)
Attributable to disposal of subsidiaries	–	(1,154)	(240)	(5,255)	–	(6,649)
Disposals	(1,515)	(6,321)	(11,847)	(35,283)	(8,575)	(63,541)
Government grants received	–	–	–	(3,879)	–	(3,879)
At 31st December 2006	844,402	368,012	118,309	2,365,684	224,258	3,920,665
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st January 2005	91,824	143,761	40,375	586,784	–	862,744
Exchange adjustments	1,242	850	760	4,793	–	7,645
Provided for the year	23,819	44,270	16,957	126,492	–	211,538
Transfer to assets classified as held for sale	(479)	–	–	–	–	(479)
Attributable to disposal of subsidiaries	(3,318)	(123)	(38)	(842)	–	(4,321)
Eliminated on disposals	(575)	(9,656)	(9,220)	(11,800)	–	(31,251)
At 31st December 2005	112,513	179,102	48,834	705,427	–	1,045,876
Exchange adjustments	3,875	2,325	2,108	13,665	–	21,973
Provided for the year	31,346	35,672	18,495	149,273	–	234,786
Transfer to investment properties (note 16)	(745)	–	–	–	–	(745)
Attributable to disposal of subsidiaries	–	(387)	(216)	(1,385)	–	(1,988)
Eliminated on disposals	(263)	(5,839)	(9,654)	(35,278)	–	(51,034)
At 31st December 2006	146,726	210,873	59,567	831,702	–	1,248,868
<b>CARRYING VALUES</b>						
At 31st December 2006	697,676	157,139	58,742	1,533,982	224,258	2,671,797
At 31st December 2005	657,483	172,515	60,086	1,359,241	155,013	2,404,338

At 31st December 2006, certain owner-occupied leasehold land and buildings amounted to HK\$1,015,000 (2005: HK\$1,039,000) is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

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Property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land and buildings	the shorter of 4%-5% or over the period of the lease terms
Furniture, fixtures and equipment	20%-33 $\frac{1}{3}$ % or over the period of the lease in case of fixtures in rented premises
Motor vehicles	20%-30%
Plant and machinery	5%-20%

At 31st December 2006, leasehold land and buildings included certain assets carried at cost of HK\$9,361,000 (2005: HK\$9,361,000) in aggregate with accumulated depreciation of HK\$3,130,000 (2005: HK\$2,831,000) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounted to HK\$273,000 (2005: HK\$273,000).

At 31st December 2005, plant and machinery included certain assets carried at cost of HK\$20,629,000 in aggregate with accumulated depreciation of HK\$15,751,000 in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounted to HK\$171,600 (2005: HK\$1,374,000) for the year.

The cost of certain plant and machinery, before deduction of government subsidy of HK\$25,938,000 (2005: HK\$22,059,000) is HK\$78,117,000 (2005: HK\$74,238,000).

At 31st December 2006, construction in progress included net interest capitalised of HK\$924,000 (2005: nil).

	<b>Buildings</b> <i>HK\$'000</i>	<b>Furniture, fixtures and equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>THE COMPANY</b>				
<b>COST</b>				
At 1st January 2005	2,803	25,106	8,162	36,071
Additions	–	423	2,417	2,840
Disposals	–	(130)	(1,724)	(1,854)
At 31st December 2005	2,803	25,399	8,855	37,057
Additions	–	1,165	–	1,165
Disposals	–	(2,585)	–	(2,585)
At 31st December 2006	2,803	23,979	8,855	35,637
<b>DEPRECIATION</b>				
At 1st January 2005	373	23,406	6,830	30,609
Provided for the year	112	1,200	856	2,168
Eliminated on disposals	–	(130)	(1,724)	(1,854)
At 31st December 2005	485	24,476	5,962	30,923
Provided for the year	112	590	1,209	1,911
Eliminated on disposals	–	(2,585)	–	(2,585)
At 31st December 2006	597	22,481	7,171	30,249
<b>CARRYING VALUES</b>				
At 31st December 2006	<u>2,206</u>	<u>1,498</u>	<u>1,684</u>	<u>5,388</u>
At 31st December 2005	<u>2,318</u>	<u>923</u>	<u>2,893</u>	<u>6,134</u>



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	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The carrying values of property interests comprises:				
Properties erected on land held under				
– medium-term leases in Macau	1,083	1,131	–	–
– medium-term leases in Hong Kong	277,963	286,613	–	–
– medium-term land use rights in the PRC	418,630	369,739	2,206	2,318
	<u>697,676</u>	<u>657,483</u>	<u>2,206</u>	<u>2,318</u>

### 18. Prepaid Lease Payments

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
The Group's prepaid lease payments comprises:		
– short-term land use rights in the PRC	–	349
– medium-term leases in Hong Kong	45,186	46,273
– medium-term land use rights in the PRC	212,865	186,745
	<u>258,051</u>	<u>233,367</u>
Analysed for reporting purposes as:		
Current portion	7,035	8,129
Non-current portion	<u>251,016</u>	<u>225,238</u>
	<u>258,051</u>	<u>233,367</u>

## 19. Toll Road Operating Right

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
At 1st January 2005	1,826,277
Exchange adjustments	<u>35,197</u>
At 31st December 2005	1,861,474
Exchange adjustments	<u>74,459</u>
At 31st December 2006	<u>1,935,933</u>
<b>AMORTISATION</b>	
At 1st January 2005	41,626
Exchange adjustments	1,100
Charge for the year	<u>41,950</u>
At 31st December 2005	84,676
Exchange adjustments	5,326
Charge for the year	<u>67,335</u>
At 31st December 2006	<u>157,337</u>
<b>CARRYING VALUES</b>	
At 31st December 2006	<u><u>1,778,596</u></u>
At 31st December 2005	<u><u>1,776,798</u></u>

The amount represents the right to receive toll fees from vehicles using the Shanghai section of the Shanghai-Nanjing Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years.

The Group's right to operate the toll road is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll road which is 25 years.

## 20. Other Intangible Assets

	Patents HK\$'000	Premium on prepaid lease payments HK\$'000	Total HK\$'000
<b>THE GROUP</b>			
<b>COST</b>			
At 1st January 2005	39,206	–	39,206
Exchange adjustments	753	–	753
Arising on acquisition of subsidiaries	–	59,121	59,121
Additions	2,975	–	2,975
At 31st December 2005	42,934	59,121	102,055
Exchange adjustments	1,717	2,365	4,082
Arising on acquisition of a subsidiary	4,640	–	4,640
At 31st December 2006	49,291	61,486	110,777
<b>AMORTISATION</b>			
At 1st January 2005	–	–	–
Charge for the year	4,956	2,022	6,978
At 31st December 2005	4,956	2,022	6,978
Exchange adjustments	198	81	279
Charge for the year	12,401	1,460	13,861
At 31st December 2006	17,555	3,563	21,118
<b>CARRYING VALUES</b>			
At 31st December 2006	31,736	57,923	89,659
At 31st December 2005	37,978	57,099	95,077

Patents are held to produce pharmaceutical products for a period ranging from 5 to 10 years and are amortised on a straight line basis over useful lives ranging from 5 to 10 years.

Premium on prepaid lease payments represents the premium on acquisition of prepaid lease payments which is to be amortised on the same basis as the related prepaid lease payments.

## 21. Goodwill

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
At 1st January 2005	349,365
Exchange adjustments	1,479
Arising on acquisition of subsidiaries	37,274
Arising on acquisition of additional interests in subsidiaries	6,592
Transfer from goodwill of associates	57,159
Transfer to interests in jointly controlled entities	(1,759)
Transfer to interests in associates	(43,560)
Eliminated on disposal of interest in a subsidiary	<u>(2,003)</u>
 At 31st December 2005	 404,547
Exchange adjustments	5,521
Arising on acquisition of a subsidiary	22,569
Eliminated on dilution of interest on share reform of a subsidiary	<u>(4,252)</u>
 At 31st December 2006	 <u>428,385</u>
 <b>IMPAIRMENT</b>	
At 1st January 2005	3,161
Impairment loss recognised for the year	5,402
Eliminated on disposal of interest in a subsidiary	<u>(2,003)</u>
 At 31st December 2005 and 31st December 2006	 <u>6,560</u>
 <b>CARRYING VALUES</b>	
At 31st December 2006	<u><u>421,825</u></u>
 At 31st December 2005	 <u><u>397,987</u></u>

Goodwill acquired in business combinations was allocated, at acquisition, to the individual cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale and manufacture of Chinese medicine and health food	291,814	293,921
Sale and manufacture of biomedicine	<u>130,011</u>	<u>104,066</u>
	<u><u>421,825</u></u>	<u><u>397,987</u></u>

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the coming year and extrapolates cash flows for the following four years with a steady growth rate of 5%.

The rate used to discount the forecast cash flows is commercial borrowing rate.

## 22. Investment In Subsidiaries

	<b>THE COMPANY</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<u>1,023,154</u>	<u>1,023,154</u>

Details of the Company's principal subsidiaries at 31st December 2006 are set out in note 52.

## 23. Interests/Investment in Jointly Controlled Entities

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of unlisted investments in jointly controlled entities	1,981,859	1,973,211	112,921	166,790
Share of post-acquisition profits and reserves, net of dividends received	<u>585,729</u>	<u>509,879</u>	<u>—</u>	<u>—</u>
	2,567,588	2,483,090	112,921	166,790
Less: Impairment loss recognised	<u>(122,595)</u>	<u>(92,582)</u>	<u>(112,921)</u>	<u>(25,117)</u>
	<u>2,444,993</u>	<u>2,390,508</u>	<u>—</u>	<u>141,673</u>

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**APPENDIX I**

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**FINANCIAL INFORMATION OF THE GROUP**

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Included in the cost of investment is goodwill of HK\$17,146,000 (2005: HK\$47,275,000) arising on acquisition of interests in jointly controlled entities. The movement of goodwill is set out below:

	<b>THE GROUP HK\$'000</b>
<b>COST</b>	
At 1st January 2005	85,436
Exchange adjustments	544
Arising on acquisition of a jointly controlled entity	28,314
Transfer from goodwill of subsidiaries	<u>1,759</u>
 At 31st December 2005	 116,053
Exchange adjustments	1,155
Eliminated on deemed disposal of interest in a jointly controlled entity	<u>(1,271)</u>
 At 31st December 2006	 <u>115,937</u>
 <b>IMPAIRMENT</b>	
At 1st January 2005	67,369
Impairment loss recognised for the year	<u>1,409</u>
 At 31st December 2005	 68,778
Impairment loss recognised for the year	<u>30,013</u>
 At 31st December 2006	 <u>98,791</u>
 <b>CARRYING VALUES</b>	
At 31st December 2006	<u><u>17,146</u></u>
 At 31st December 2005	 <u><u>47,275</u></u>

During the year, the directors considered that in light of the decrease in operating results of a jointly controlled entity, with reference to the estimated cash flows from the operations of the jointly controlled entity, full impairment loss in respect of the goodwill of this jointly controlled entity of HK\$30,013,000 was recognised in profit or loss.

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A summary of the combined financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group's share of total assets of jointly controlled entities	5,861,209	5,181,395
Group's share of total liabilities of jointly controlled entities	(3,422,971)	(2,816,049)
Group's share of net assets of jointly controlled entities	<u>2,438,238</u>	<u>2,365,346</u>
Income	<u>6,661,432</u>	<u>6,738,886</u>
Profit for the year	<u>238,999</u>	<u>61,206</u>
Group's share of results of jointly controlled entities for the year	<u>21,152</u>	<u>2,839</u>

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of losses of the jointly controlled entities, both for the year and cumulatively, are as follows:

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unrecognised share of losses of jointly controlled entities for the year	<u>11,722</u>	<u>1,691</u>
Accumulated unrecognised share of losses of jointly controlled entities	<u>13,413</u>	<u>1,691</u>

Details of the Group's principal jointly controlled entities at 31st December 2006 are set out in note 53.

## **24. Interests in Associates**

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investment in associates		
– Listed in Hong Kong	1,819,766	1,819,766
– Listed in the PRC	141,506	174,824
– Unlisted	230,664	269,785
Share of post-acquisition profits and reserves, net of dividends received	<u>1,630,747</u>	<u>1,632,475</u>
	3,822,683	3,896,850
Less: Impairment loss recognised	<u>(28,793)</u>	<u>(28,793)</u>
	<u>3,793,890</u>	<u>3,868,057</u>
Fair value of listed investments	<u>3,640,093</u>	<u>3,265,874</u>

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Included in the cost of investments is goodwill of HK\$3,320,000 (2005: HK\$3,320,000) arising on acquisition of interests in associates. The movement of goodwill is set out below:

	<b>THE GROUP HK\$'000</b>
<b>COST</b>	
At 1st January 2005	72,291
Transfer from goodwill of subsidiaries	43,560
Eliminated on deemed disposal of interest in an associate	(74)
Transfer to goodwill of subsidiaries	(57,159)
Transfer to assets classified as held for sale	<u>(35,924)</u>
At 31st December 2005 and 31st December 2006	<u>22,694</u>
<b>IMPAIRMENT</b>	
Impairment loss recognised for the year ended 31st December 2005 and balance at 31st December 2005 and 31st December 2006	<u>19,374</u>
<b>CARRYING VALUES</b>	
At 31st December 2006	<u><u>3,320</u></u>
At 31st December 2005	<u><u>3,320</u></u>

A summary of the combined financial information in respect of the Group's associates is set out below:

	<b>THE GROUP 2006 HK\$'000</b>	<b>2005 HK\$'000</b>
Total assets	41,261,076	43,287,778
Total liabilities	<u>(13,968,625)</u>	<u>(14,693,352)</u>
Net assets	<u><u>27,292,451</u></u>	<u><u>28,594,426</u></u>
Group's share of net assets of associates	<u><u>3,799,989</u></u>	<u><u>3,874,156</u></u>
Income	<u><u>19,822,344</u></u>	<u><u>18,020,749</u></u>
Profit (loss) for the year	<u><u>106,914</u></u>	<u><u>(485,328)</u></u>
Group's share of results of associates for the year	<u><u>157,215</u></u>	<u><u>102,532</u></u>

Details of the Group's principal associates at 31st December 2006 are set out in note 54.



## 25. Available-for-sale Investments

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale investments comprise:		
Listed equity securities:		
– in Hong Kong	15,523	11,521
– in the PRC	6,699	17,957
Unlisted equity securities:		
– in Hong Kong	5	5
– in the PRC	174,882	291,571
	<u>197,109</u>	<u>321,054</u>

At the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which their fair values cannot be measured reliably.

The above investments in unlisted equity securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group's unlisted investments at the balance sheet date include HK\$34,159,000 (2005: HK\$34,159,000) investments in the companies with shareholding of 30% and 26.14% respectively established in the PRC which are engaged in the manufacture and sale of paper products. Pursuant to various addendums to the joint venture agreements with the respective PRC joint venture partners, the Group has surrendered its economic interests in connection with the operation and management of these companies in return for the receipt of contracted annual payments. At the end of the joint venture period, the Group is entitled to the distribution of all the remaining assets in accordance with their shareholdings in these companies. In the opinion of the directors, these companies are not regarded as the Group's associates as the Group cannot exercise significant influence on these companies.

During the year, the directors reviewed the carrying amount of the available-for-sale investments in light of the current market condition with reference to the estimated discounted future cash flows from the business operated by the investees. The directors identified an impairment loss of HK\$1,900,000 (2005: HK\$9,648,000) on the investment and the amount has been recognised in profit or loss accordingly.

## 26. Loan Receivables

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate loan receivables at interest rate of 5.5% per annum	3,689	4,444
Variable-rate loan receivables at interest rate of HIBOR+1% per annum	–	62,590
	<u>3,689</u>	<u>67,034</u>
Analysed for reporting purposes:		
Non-current portion (receivable after 12 months)	3,689	4,277
Current portion (receivable within 12 months)	–	62,757
	<u>3,689</u>	<u>67,034</u>

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The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate loan receivables:		
Within one year	–	167
In more than three years but not more than four years	3,689	4,277
	<u>3,689</u>	<u>4,444</u>

The Group's loan receivables are denominated in the following currencies:

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars	3,689	4,444
United States dollars	–	62,590
	<u>3,689</u>	<u>67,034</u>

At 31st December 2006, the fixed-rate loan receivable of HK\$3,689,000 (2005: HK\$4,444,000) represents the amount due from a minority shareholder of a subsidiary (the "MI shareholder"). It is secured by the MI shareholder's equity interest in the subsidiary and the dividend distribution by the subsidiary.

At 31st December 2005, the variable-rate loan receivable of HK\$62,590,000 represented the amount due from 中環保水務投資有限公司 (General Water of China Co., Ltd.) ("General Water of China"), a jointly controlled entity of the Group, and was secured by General Water of China's 55% equity interest in 廈門水務中環污水處理有限公司 and 45% equity interest in 廈門水務中環制水有限公司 and fully settled during the year.

## **27. Deposits Paid on Acquisition of Property, Plant and Equipment**

### **The Group**

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities and the widening work of the Shanghai section of the Shanghai-Nanjing Expressway.

## **28. Deposit Paid on Acquisition of a Subsidiary**

### **The Group**

At 31st December 2005, the deposits were paid by the Group in connection with the acquisition of a subsidiary which was engaged in manufacture of pharmaceutical raw materials.

**29. Derivative Financial Instruments****Derivative under hedge accounting**

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flow hedge – Interest rate swaps:		
Non-current asset	–	6,421

Cash flow hedge:

At 31st December 2005, the Group used interest rate swaps to minimise its exposure to changes in cash flow of interest payments of its floating-rate Hong Kong dollars bank borrowings by swapping HK\$800 million long-term portion syndicated loan, which due at 10th April 2007, from floating rate of HIBOR plus 0.45% to the predetermined rates. The interest rate swaps was terminated during the year.

**30. Inventories**

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	643,605	649,608
Work in progress	130,161	112,557
Finished goods	319,371	330,465
Merchandise held for resale	123,475	123,095
	<u>1,216,612</u>	<u>1,215,725</u>

**31. Trade and Other Receivables**

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	982,142	1,003,161
Less: accumulated impairment	<u>(86,908)</u>	<u>(60,014)</u>
	895,234	943,147
Other receivables	<u>617,893</u>	<u>596,714</u>
Total trade and other receivables	<u>1,513,127</u>	<u>1,539,861</u>

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The Group generally allows credit period ranging from 30 days to 90 days to its trade customers. An aged analysis of trade receivables net of impairment losses, are as follows:

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables:		
Within 30 days	377,371	496,563
Within 31 – 60 days	200,436	174,943
Within 61 – 90 days	93,395	78,413
Within 91 – 180 days	104,554	106,355
Within 181 – 360 days	99,781	57,750
Over 360 days	19,697	29,123
	<u>895,234</u>	<u>943,147</u>

**32. Financial Assets at Fair Value Through Profit or Loss**

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments held-for-trading:		
Listed equity securities in		
– Hong Kong	155,985	147,806
– Others	153,945	98,356
Unlisted investment funds in equity and debt securities	785,564	229,767
	<u>1,095,494</u>	<u>475,929</u>
Financial assets designated at fair value through profit or loss:		
– Convertible notes/bonds	155,430	103,162
– Structured deposits	329,785	467,271
– Equity-linked notes	79,402	23,680
	<u>564,617</u>	<u>594,113</u>
	<u>1,660,111</u>	<u>1,070,042</u>

At the balance sheet date, all financial assets at fair value through profit or loss are stated at fair value. The fair values are determined by reference to bid prices quoted in active markets or valuation performed by the respective issuing banks or financial institutions.

Included in financial assets designated at fair value through profit or loss is structured deposits of HK\$329,785,000 (2005: HK\$467,271,000) placed with banks. Under the relevant agreements, these structured deposits contain embedded derivatives in which their returns are determined by reference to the change in exchange rate of certain foreign currencies and the change in certain interest rates quoted in the market.

**33. Pledged Bank Deposits, Short-term Bank Deposits and Bank Balances and Cash****The Group**

Pledged bank deposits with maturity of less than three months represents deposits pledged to banks to secure general banking facilities granted to the Group and an associate. Deposits amounting to HK\$28,560,000 (2005: HK\$28,000,000) have been pledged to secure general banking facilities and are therefore classified as current assets.

The pledged bank deposits carry interest at fixed interest rate of 3.28% (2005: 3.58%) per annum and the short-term bank deposits with maturity of more than three months carry interest at market rate ranging from 1.8% to 5.57% (2005: 1.9% to 4.34%) per annum. The bank deposits with maturity of less than three months carry interest at market rate ranging from 0.72% to 5.31% (2005: 0.72% to 4.37%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

**The Company**

The short-term bank deposits carry interest at market rate ranging from 5.47% to 5.57% (2005: 4.34%) per annum and the bank deposits with maturity of less than three months carry interest at market rate ranging from 3.72% to 5.31% (2005: 3.85% to 4.37%) per annum.

**34. Assets Classified as Held for Sale**

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets classified as held for sale comprise:		
Property interests ( <i>note a</i> )	28,833	27,790
An associate ( <i>note b</i> )	—	317,395
	<u>28,833</u>	<u>345,185</u>

*Notes:*

- (a) In 2005, the Group resolved to dispose of two pieces of land and buildings with aggregate carrying amounts of HK\$28,833,000 (2005: HK\$27,790,000) to an outsider within twelve months subsequent to the balance sheet date. Accordingly, the amounts have been classified as assets held for sale and are presented separately in the balance sheet. The proceeds of disposal will exceed their net carrying amounts and, accordingly, no impairment loss has been recognised. The disposal transaction was completed in January 2007.
- (b) In October 2005, the Group entered into a conditional share repurchase agreement with Shanghai Jahwa United Co. Ltd. ("Shanghai Jahwa"), a 28.15% held associate of the Group, pursuant to which Shanghai Jahwa shall repurchase from the Group its entire interest in Shanghai Jahwa at a consideration of RMB336,680,000 (equivalent to approximately HK\$323,731,000). Accordingly, the Group's interest in Shanghai Jahwa of HK\$348,642,000 (including goodwill asset of HK\$35,924,000) had been reclassified as assets held for sale and was presented separately in the consolidated balance sheet. Since the net realisable value on the share repurchase would fall below the carrying amounts of the reclassified assets, an impairment loss of HK\$31,247,000 was recognised during the year ended 31st December 2005. The disposal transaction was completed during the year.

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### 35. Trade and Other Payables

Included in trade and other payables are trade payables of HK\$681,779,000 (2005: HK\$578,475,000) and their aged analysis is as follows:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Trade payables:		
Within 30 days	483,708	356,876
Within 31 – 60 days	78,084	91,492
Within 61 – 90 days	29,017	42,345
Within 91 – 180 days	42,482	37,727
Within 181 – 360 days	17,499	25,738
Over 360 days	30,989	24,297
	<u>681,779</u>	<u>578,475</u>

### 36. Bank and Other Borrowings

	THE GROUP		THE COMPANY	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bank loans	2,112,143	2,171,265	–	1,600,000
Other loans	<u>64,560</u>	<u>122,484</u>	<u>–</u>	<u>–</u>
	<u>2,176,703</u>	<u>2,293,749</u>	<u>–</u>	<u>1,600,000</u>
Analysed as:				
Secured	365,963	393,267	–	–
Unsecured	<u>1,810,740</u>	<u>1,900,482</u>	<u>–</u>	<u>1,600,000</u>
	<u>2,176,703</u>	<u>2,293,749</u>	<u>–</u>	<u>1,600,000</u>
Carrying amount repayable:				
On demand or within one year	614,741	1,320,175	–	800,000
More than one year but not more than two years	63,071	865,495	–	800,000
More than two years but not more than five years	1,490,362	100,812	–	–
Over five years	<u>8,529</u>	<u>7,267</u>	<u>–</u>	<u>–</u>
	2,176,703	2,293,749	–	1,600,000
Less: Amounts due within one year shown under current liabilities	<u>(614,741)</u>	<u>(1,320,175)</u>	<u>–</u>	<u>(800,000)</u>
	<u>1,561,962</u>	<u>973,574</u>	<u>–</u>	<u>800,000</u>

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

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Fixed-rate borrowings:		
Within one year	279,911	420,974
In more than one year but not more than two years	63,071	65,495
In more than two years but not more than three years	171	62,021
In more than three years but not more than four years	171	38,626
In more than four years but not more than five years	170	165
In more than five years	<u>8,529</u>	<u>7,267</u>
	<u><u>352,023</u></u>	<u><u>594,548</u></u>

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

	<b>2006</b>	<b>2005</b>
Effective interest rate:		
Fixed-rate borrowings	2.4% to 7.9%	2.4% to 9%
Variable-rate borrowings	4.32% to 9.36%	0.97% to 4.65%

Included in the bank borrowings is an amount of HK\$1,500 million drawn under a syndicated loan facility of HK\$3,000 million newly obtained by the Group during the year. Transaction costs directly attributable to such bank borrowings amounted to approximately HK\$10.5 million and was deducted from the fair value of the bank borrowing on initial recognition. At 31st December 2006, the carrying value of such bank borrowings amounted to approximately HK\$1,490 million.

**37. Share Capital**

	<b>Number of ordinary shares</b>	<b>Amount</b> <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
– at 1st January 2005, 31st December 2005 and 31st December 2006	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
– balance at 1st January 2005	958,638,000	95,864
– exercise of share options	<u>8,895,000</u>	<u>889</u>
– balance at 31st December 2005	967,533,000	96,753
– exercise of share options	<u>971,000</u>	<u>97</u>
– balance at 31st December 2006	<u><u>968,504,000</u></u>	<u><u>96,850</u></u>

**38. Share-based Payment Transactions**

Details of the equity-settled share option schemes adopted by members of the Group are as follows:

**(a) SIHL Scheme**

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a new share option scheme (the “SIHL Scheme”), as approved by the shareholders of the Company at the extraordinary general meeting held on 31st May 2002. The SIHL Scheme shall be valid and effective for a period of 10 years commencing on the adoption of the Scheme, after which period no further share options will be granted. The SIHL Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the Board may approve from time to time.

According to the SIHL Scheme, the Board of Directors of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of Directors, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

The Board of Directors may at its absolute discretion determine and notified by the Board of Directors to each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of Directors may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company shall be a price solely determined by the Board of Directors of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company’s shares on the date of grant; (ii) the average closing price of the Company’s shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

The number of shares available for issue, save for those granted but yet to be exercised, under the SIHL Scheme totalled 49,617,000 shares, which represented 5.1% (2005: 5.6%) of the issued share capital of the Company as at the date of this annual report.



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## FINANCIAL INFORMATION OF THE GROUP

The following table discloses details of the Company's options under the SIHL Scheme held by the Group's employees and other eligible participants and movement in such holdings during the year:

Month of grant	Exercise price per share HK\$	Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2006
September 2002	11.71	7,385,000	–	(885,000)	(6,500,000)	–
September 2005	14.89	10,000,000	–	(86,000)	(383,000)	9,531,000
May 2006	17.10	–	5,000,000	–	–	5,000,000
		<u>17,385,000</u>	<u>5,000,000</u>	<u>(971,000)</u>	<u>(6,883,000)</u>	<u>14,531,000</u>

Exercisable at the end of the year						<u>4,359,300</u>
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Month of grant	Exercise price per share HK\$	Outstanding at 1.1.2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2005
September 2002	11.71	16,280,000	–	(8,895,000)	–	7,385,000
September 2005	14.89	–	10,000,000	–	–	10,000,000
		<u>16,280,000</u>	<u>10,000,000</u>	<u>(8,895,000)</u>	<u>–</u>	<u>17,385,000</u>

Exercisable at the end of the year						<u>7,385,000</u>
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Details of the share options held by the directors included in the above table are as follows:

Month of grant	Exercise price per share HK\$	Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Outstanding at 31.12.2006
September 2005	14.89	2,440,000	–	–	2,440,000
May 2006	17.10	–	2,300,000	–	2,300,000
		<u>2,440,000</u>	<u>2,300,000</u>	<u>–</u>	<u>4,740,000</u>

Month of grant	Exercise price per share HK\$	Outstanding at 1.1.2005	Granted during the year	Exercised during the year	Outstanding at 31.12.2005
September 2002	11.71	500,000	–	(500,000)	–
September 2005	14.89	–	2,440,000	–	2,440,000
		<u>500,000</u>	<u>2,440,000</u>	<u>(500,000)</u>	<u>2,440,000</u>

The options granted on 10th September 2002 may be exercised in accordance with the terms of the relevant scheme as to:

1. 30% of the options within three and a half years commencing on 10th March 2003;
2. a further 30% of the options within two and a half years commencing on 10th March 2004;
3. the remaining 40% of the options within one and a half years commencing on 10th March 2005; and
4. the options will expire at the close of business on 9th September 2006.

The options granted on 2nd September 2005 may be exercised in accordance with the terms of the relevant scheme as to:

1. 30% of the options within three years commencing on 2nd March 2006;
2. a further 30% of the options within two years commencing on 2nd March 2007;
3. the remaining 40% of the options within one year commencing on 2nd March 2008; and
4. the options will expire at the close of business on 1st March 2009.

The options granted on 2nd May 2006 ("Third Lot Share Options") may be exercised in accordance with the terms of the relevant scheme as to:

1. 30% of the options within three years commencing on 2nd November 2006;
2. a further 30% of the options within two years commencing on 2nd November 2007;
3. the remaining 40% of the options within one year commencing on 2nd November 2008; and
4. the options will expire at the close of business on 1st November 2009.

During the year, the weighted average closing price immediately before the dates on which the share options under the SIHL Scheme were exercised was HK\$16.16.

The closing price immediately before 2nd May 2006, being the date of grant of the Third Lot Share Options, was HK\$16.70.

Total consideration received for shares issued upon exercise of share options under the SIHL Scheme during the year was approximately HK\$11,644,000 (2005: HK\$104,160,000).

The estimated fair value of the options granted to the Group's employees and other eligible participants during the year is approximately HK\$12,250,000 (2005: HK\$9,946,000).

The fair value was calculated using The Black-Scholes option pricing model. The inputs into the model were as follows:

	<b>2006</b>	<b>2005</b>
Weighted average fair value	HK\$2.45	HK\$0.9946
Weighted average share price	HK\$17.1	HK\$14.85
Exercise price	HK\$17.1	HK\$14.89
Expected volatility	22.21%	16.7%
Expected life	2 to 3 years	0.5 to 1.5 years
Hong Kong Exchange Fund Note rate	4.22% to 4.41%	3.33% to 3.62%
Expected dividend yield	2.5%	3.7%

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

As the services to be performed by other eligible participants are similar to services performed by the employees of the Group, the fair value of such services is also measured with reference to the fair value of share options granted using the Black-Scholes option pricing model.

The Group recognised an expense of approximately HK\$10,872,000 for the year ended 31st December 2006 (2005: HK\$3,911,000) in relation to the share options granted by the Company, in which approximately HK\$7,994,000 (2005: HK\$2,738,000) was related to options granted to the Group's employees and shown as staff costs, and the remaining balance represents share option expense for other eligible participants.

**(b) Mergen Biotech Scheme**

A subsidiary of the Company, Mergen Biotech Limited ("Mergen Biotech") adopted a share option scheme (the "Mergen Biotech Scheme") on 28th May 2004 for the primary purpose of providing incentives to eligible participants to contribute to Mergen Biotech and to enable Mergen Biotech to recruit and attract high-calibre employees and attract human resources that are valuable to Mergen Biotech and its subsidiaries (the "Mergen Group"), and the scheme will remain valid for a period of 10 years commencing on the date of its adoption.

Under the Mergen Biotech Scheme, the Board of Directors of Mergen Biotech (the "Mergen Board") can grant options to eligible participants, including any director, management, employee (whether full-time or part-time) or business consultant and professional adviser of the Mergen Group, to subscribe for shares in Mergen Biotech for a consideration of HK\$1 for each lot of share options granted. Options granted have to be accepted within 30 days from the date of grant.

An option may be exercised in accordance with the terms of the Mergen Biotech Scheme at any time during a period to be notified by the Mergen Board to each grantee, such period shall not be more than 10 years from the date upon which the grant of a share option is made to a participant in accordance with the Mergen Biotech Scheme but subject to the provisions for early termination contained therein. Subject to the provisions of the Mergen Biotech Scheme, the Mergen Board may at its discretion when offering the grant of a share option imposed any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price of the share options shall be determined by the Mergen Board with reference to the unaudited net asset per share of Mergen Biotech ("Mergen Share") as at 31st December 2003 and shall not be less than US\$8.22 (or its equivalent in HK\$) per Mergen Share. The subscription price of options granted after the Company has contemplated a separate listing of Mergen Biotech on the Main Board or the Growth Enterprise Market ("GEM") of the Stock Exchange or any overseas stock exchange and up to the date of listing of the Mergen Shares shall not be lower than the new issue price of the Mergen Shares on listing. Without prejudice to the foregoing, any options granted during the period commencing 6 months before the lodgement of Form A1 (or its equivalent for listing on GEM or any overseas exchange) are subject to the above requirement. The subscription price of any options granted during such period shall be adjusted at the absolute discretion of the Mergen Board to a price not lower than the new issue price of the Mergen Shares on listing.

The maximum number of Mergen Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Mergen Biotech Scheme and other share option scheme(s) of Mergen Biotech shall not exceed 10% of the total number of Mergen Shares in issue from time to time. The Mergen Board will have the right to grant to the eligible participants options to subscribe for Mergen Shares, which when aggregated with any securities to be granted subject to any other share option schemes of Mergen Biotech shall not in aggregate exceed 10% of the total number of Mergen Shares in issue as at the date of approval of the Mergen Biotech Scheme. No eligible participants under the Mergen Biotech Scheme shall be granted an option which, if exercised, would result in the aggregate number of Mergen Shares issued and to be issued upon exercise of all options granted and to be granted to such participant, in any 12-month period (including exercised, cancelled and outstanding options), would exceed 1% of the Mergen Shares in issue unless approved by the shareholders of the Company.

The following table discloses details of the options under the Mergen Biotech Scheme during the year:

<b>Month of grant</b>	<b>Exercise price per share</b>	<b>Outstanding at 1.1.2005, 31.12.2005 and 31.12.2006</b>
December 2004	US\$8.22	63,400

The number of shares available for issue, save for those granted but yet to be exercised, under the Mergen Biotech Scheme totalled 14,600 Mergen Shares which represented 1.87% (2005: 1.87%) of the issued share capital of Mergen Biotech as at the date of this annual report.

The share options can be exercised during the period from 30th June 2005 to 27th May 2014 with details below, subject to the performance targets as determined by the Mergen Board to be accomplished by the grantees:

1. 70% of the options within nine years and eleven months commencing on 30th June 2005;
2. a further 15% of the options within nine years and five months commencing on 31st December 2005;
3. the remaining 15% of the options within eight years and eleven months commencing on 30th June 2006; and
4. the options will expire at the close of business on 27th May 2014.

No options was granted or exercised under the Mergen Biotech Scheme for both years.

The Group recognised an expense of approximately HK\$206,000 for the year ended 31st December 2006 (2005: HK\$2,227,000) in relation to the share options granted by Mergen Biotech.

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# FINANCIAL INFORMATION OF THE GROUP

## 39. Reserves

	Share premium HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Hedging reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>							
At 1st January 2005	10,032,631	–	1,071	1,137,728	(3,328)	3,035,407	14,203,509
Gain on cash flow hedges and net income recognised directly in equity	–	–	–	–	9,749	–	9,749
Profit for the year	–	–	–	–	–	661,159	661,159
Total recognised income and expense for the year	–	–	–	–	9,749	661,159	670,908
Premium arising on issue of shares	103,271	–	–	–	–	–	103,271
Transaction costs attributable to issue of new shares	(121)	–	–	–	–	–	(121)
Recognition of equity-settled share-based payment expenses	–	3,911	–	–	–	–	3,911
Dividends paid ( <i>note 14</i> )	–	–	–	–	–	(529,805)	(529,805)
At 31st December 2005	10,135,781	3,911	1,071	1,137,728	6,421	3,166,761	14,451,673
Loss on cash flow hedges and net expense recognised directly in equity	–	–	–	–	(6,421)	–	(6,421)
Profit for the year	–	–	–	–	–	1,938,435	1,938,435
Total recognised income and expense for the year	–	–	–	–	(6,421)	1,938,435	1,932,014
Premium arising on issue of shares	11,547	–	–	–	–	–	11,547
Release of share options reserve on exercise of share options	72	(72)	–	–	–	–	–
Reversal upon cancellation of share option	–	(321)	–	–	–	321	–
Transaction costs attributable to issue of new shares	(25)	–	–	–	–	–	(25)
Recognition of equity-settled share-based payment expenses	–	10,872	–	–	–	–	10,872
Dividends paid ( <i>note 14</i> )	–	–	–	–	–	(426,058)	(426,058)
At 31st December 2006	10,147,375	14,390	1,071	1,137,728	–	4,679,459	15,980,023

The Company's reserve available for distribution to shareholders as at 31st December 2006 represents its accumulated profits of approximately HK\$4,679.5 million (2005: HK\$3,166.8 million).

The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

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## FINANCIAL INFORMATION OF THE GROUP

### 40. Amounts Due from (to) Subsidiaries

At 31st December 2006, the amounts due from subsidiaries are unsecured and repayable on demand. Except for an amount of approximately HK\$60 million (2005: HK\$80 million) which carries interest at HIBOR plus 0.45% per annum, the balances are non-interest bearing.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

### 41. Deferred Taxation

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

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Other deferred tax liabilities <i>HK\$'000</i>	Other deferred tax assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>						
At 1st January 2005	101,945	–	(4,950)	3,394	(41,684)	58,705
Exchange adjustments	62	–	–	65	235	362
(Credit) charge to income for the year ( <i>note 11</i> )	(595)	2,126	(2,850)	6,555	17,300	22,536
At 31st December 2005	101,412	2,126	(7,800)	10,014	(24,149)	81,603
Exchange adjustments	161	–	–	129	(6,388)	(6,098)
Arising on acquisition of a subsidiary	–	–	–	7,459	–	7,459
(Credit) charge to income for the year ( <i>note 11</i> )	(6,879)	3,546	700	2,278	675	320
At 31st December 2006	94,694	5,672	(7,100)	19,880	(29,862)	83,284

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Deferred tax liabilities	112,046	107,479
Deferred tax assets	(28,762)	(25,876)
	83,284	81,603

At 31st December 2006, the Group had unused tax losses of HK\$46.5 million (2005: HK\$76.9 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK\$7.1 million (2005: HK\$7.8 million) in respect of tax losses amounting to approximately HK\$40.6 million (2005: HK\$44.6 million) was recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$5.9 million (2005: HK\$32.3 million) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

**42. Acquisition of a Subsidiary**

On 1st January 2006, the Group acquired 69.63% equity interest in 常州天普藥業有限公司 (Changzhou Techpool Pharmaceutical Co., Ltd) (“Changzhou Techpool”), a company engaged in developing, manufacturing and sale of raw and finished bio-chemical pharmaceutical, for a consideration of RMB71,000,000 (equivalent to approximately HK\$68,269,000). The acquisition has been accounted for using the purchase method of accounting. The amount of goodwill arising as a result of this acquisition was HK\$22,569,000.

During the year ended 31st December 2005, the Group acquired certain subsidiaries, details of which are as follows:

- (a) In February 2005, the Group increased its interest in Chengdu Jiuxing Printing and Packing Co., Ltd. (“Chengdu Jiuxing”) from 30% to 51%, at a consideration of RMB22,480,000 (equivalent to HK\$21,208,000). No goodwill or discount arose on this acquisition.
- (b) In September 2005, the Group increased its interest in HebeiYongxin Paper Co., Ltd. from 39% to 66%, at a consideration of RMB14,070,000 (equivalent to HK\$13,529,000). No goodwill or discount arose on this acquisition.
- (c) In July 2005, the Group increased its interest in 杭州胡慶餘堂藥業有限公司 (Hangzhou Huqingyutang Pharmaceutical Co., Ltd) (“Huqingyutang Pharmaceutical”) from 30.006% to 51.007%, at a consideration of RMB134,800,000 (equivalent to HK\$129,615,000). The amount of goodwill arising as a result of this acquisition was HK\$37,274,000.

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The net assets acquired in the transaction, and the goodwill arising, are as follows:

	2006			2005
	Acquiree's carrying amount before combination HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000	HK\$'000
Net assets acquired:				
Property, plant and equipment	17,335	4,683	22,018	397,542
Prepaid lease payments	1,385	–	1,385	62,776
Other intangible assets	598	4,042	4,640	59,121
Interests in associates	6,655	–	6,655	–
Available-for-sale investments	–	–	–	18,621
Inventories	55,325	11,065	66,390	133,838
Trade and other receivables	11,764	–	11,764	272,083
Taxation recoverable	–	–	–	1,529
Bank balances and cash	11,038	–	11,038	208,248
Trade and other payables	(27,097)	–	(27,097)	(426,195)
Taxation payable	(12)	–	(12)	(2,822)
Deferred tax liabilities	(928)	(6,531)	(7,459)	–
Bank and other borrowings	(24,038)	–	(24,038)	(302,749)
	52,025	13,259	65,284	421,992
Minority interests of investees	–	–	–	(9,970)
Minority interests	(15,553)	(4,031)	(19,584)	(199,736)
	36,472	9,228	45,700	212,286
Other revaluation reserve			–	(8,716)
Goodwill arising on acquisition ( <i>note 21</i> )			22,569	37,274
			<u>68,269</u>	<u>240,844</u>
Satisfied by:				
Deposit paid on acquisition of a subsidiary in prior year			68,269	–
Cash consideration paid			–	164,352
Interests in associates			–	54,505
Interest in a jointly controlled entity			–	21,987
			<u>68,269</u>	<u>240,844</u>
Net cash (outflow) inflow arising on acquisition:				
Cash consideration paid			–	(164,352)
Cash and cash equivalents acquired			11,038	208,248
			<u>11,038</u>	<u>43,896</u>

The goodwill arising on the acquisition of Changzhou Techpool is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.



The subsidiary acquired contributed approximately HK\$72 million (2005: HK\$469.7 million) and HK\$9 million (2005: HK\$26.1 million) to the Group's turnover and profit for the year, respectively.

Had the acquisitions for the year ended 31st December 2005 been completed on 1st January 2005, the Group's turnover and profit for the year would have been increased by approximately HK\$1,011.0 million and HK\$60.6 million, respectively.

#### 43. Disposal of Subsidiaries

During the year, the Group disposed of its entire interests in 北京上實中藥有限公司 and 上海實業聯合集團大藥房有限公司. The net assets of the subsidiaries at the date of disposal were as follows:

During the year ended 31st December 2005, the Group disposed of its entire interests in Guiyang Jiuxing Printing Co., Ltd., China Luck Property Limited ("China Luck") and Ningxia SHC Viopes Nutraceuticals Co., Ltd. A net loss on disposal of interest in subsidiaries of HK\$5,506,000 was recognised for that year.

	2006 HK\$'000	2005 HK\$'000
Net assets disposed of:		
Property, plant and equipment	4,661	18,263
Prepaid lease payments	1,047	1,493
Inventories	5,323	3,683
Trade and other receivables	2,055	4,791
Taxation recoverable	–	130
Bank balances and cash	3,033	1,205
Trade and other payables	(6,772)	(15,466)
Bank and other borrowings	–	(962)
Taxation payable	(287)	–
	9,060	13,137
Minority interests	(315)	(2,315)
	8,745	10,822
Translation reserve realised	(31)	11
	8,714	10,833
Gain (loss) on disposal of interest in subsidiaries	3,468	(5,506)
Consideration	12,182	5,327
	2006 HK\$'000	2005 HK\$'000
Satisfied by:		
Cash consideration received	12,182	5,327
Net cash inflow arising on disposal:		
Cash received	12,182	5,327
Bank balances and cash disposed of	(3,033)	(1,205)
	9,149	4,122

The subsidiaries disposed of during the year did not make any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

#### 44. Operating Leases

##### The Group as lessee

At the balance sheet date, the Group and the Company had commitments under non-cancellable operating leases which fall due as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	33,176	29,831	3,281	6,562
In the second to fifth year inclusive	73,917	67,283	–	3,281
After five years	88,960	92,225	–	–
	<u>196,053</u>	<u>189,339</u>	<u>3,281</u>	<u>9,843</u>

Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for an average term of 1 to 2 years.

Included in the above are operating lease commitments for land and buildings of approximately HK\$174 million (2005: HK\$165 million) and approximately HK\$3.3 million (2005: HK\$9.8 million) payable by the Group and the Company, respectively, to the ultimate holding company and fellow subsidiaries.

##### The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<b>THE GROUP</b>	
	<b>Land and buildings</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,323	797
In the second to fifth year inclusive	8,627	106
Over five years	<u>7,000</u>	<u>–</u>
	<u>17,950</u>	<u>903</u>

The Company had no significant operating lease arrangements as lessor at the balance sheet date.

## 45. Capital Commitments

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of		
– toll road construction costs	1,055,813	29,182
– investments in PRC jointly controlled entities	53,072	40,718
– investments in overseas jointly controlled entity	15,132	–
– acquisition of property, plant and equipment	79,796	85,055
– additions in construction in progress	71,245	73,938
	<u>1,275,058</u>	<u>228,893</u>
Capital expenditure authorised but not contracted for in respect of		
– toll road construction costs	–	1,747,066
– acquisition of property, plant and equipment	–	85,519
	<u>–</u>	<u>1,832,585</u>

In addition to the above, the Group's share of capital commitments of the jointly controlled entities are as follows:

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of		
– toll road construction costs	–	27,519
– investments in PRC jointly controlled entities and associates	31,735	13,011
– acquisition of property, plant and equipment	428,299	430,615
– additions in construction in progress	3,229	76,763
	<u>463,263</u>	<u>547,908</u>
Capital expenditure authorised but not contracted for in respect of		
– additions in construction in progress	–	116,550
	<u>–</u>	<u>116,550</u>

The Company had no significant capital commitment at the balance sheet date.

## 46. Contingent Liabilities

	<b>THE GROUP</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in respect of banking facilities utilised by		
– associates	38,000	18,000
– a supplier	26,800	1,635
	<u>64,800</u>	<u>19,635</u>

The Company did not have significant contingent liabilities at the balance sheet date.

**47. Pledge of Assets**

At 31st December 2006, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

- (i) plant and machinery with a carrying value of approximately HK\$22.9 million (2005: HK\$32.0 million);
- (ii) leasehold land and buildings with a carrying value of approximately HK\$195.5 million (2005: HK\$230.1 million);
- (iii) motor vehicles with a carrying value of approximately HK\$82,000 (2005: HK\$0.2 million); and
- (iv) bank deposits of approximately HK\$0.6 million (2005: nil).

In addition, at 31st December 2006, certain of the Group's plant and machinery with a carrying value of HK\$180,322,000 (2005: HK\$158,548,000) were pledged to an independent third party which provided a guarantee to a bank in respect of a bank loan granted to the Group.

At 31st December 2006, the Group had bank deposits of approximately HK\$28.0 million (2005: HK\$28.0 million) pledged to banks in respect of banking facilities granted to an associate.

**48. Retirement Benefits Schemes**

The Company and its subsidiaries in Hong Kong operate defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), a Mandatory Provident Fund Scheme (the "MPF Scheme") was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated income statement represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, no forfeited contributions were available to reduce the contribution payable in the future years.

## 49. Connected and Related Party Transactions and Balances

## (I) Connected persons

- (a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the balance sheet date, are as follows:

Connected persons	Nature of transaction	THE GROUP	
		2006 HK\$'000	2005 HK\$'000
Transactions			
Ultimate holding company:			
Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”)	Rentals paid on land and buildings (note (i))	7,640	7,279
Fellow subsidiaries:			
Nanyang Enterprises Properties Limited	Rentals paid on land and buildings (note (i))	14,520	13,800
The Tien Chu (HK) Co. Ltd.	Rentals paid on land and buildings (note (i))	26	700
	Purchase of materials (note (ii))	276	158
	Printing services income (note (ii))	278	287
上海上實（集團）有限公司 (SIIC Shanghai Holdings Co., Ltd.)	Rentals paid on land and buildings (note (i))	2,975	3,007
Eternal Success Holdings Limited (“Eternal”)	Disposal of interest in a subsidiary and assignment of loan (note (iii))	–	4,654
Minority shareholders of subsidiaries:			
中國（杭州）青春寶集團有限公司 (China (Hangzhou) Qingchunbao Group Co. Ltd.) (“China Qingchunbao”) and its subsidiaries	Sales of finished medicine and health products (note (iv))	14	13
許昌捲煙總廠	Sales of cigarette box packaging materials (note (iv))	122,694	113,491
Kong Hee Enterprises Limited (“Kong Hee”)	Acquisition of additional interest in a subsidiary (note (v))	–	11,450
Shanghai Pharmaceutical (Group) Co., Ltd. (“SPGC”)	Acquisition of additional interest in a subsidiary (note (vi))	–	71,509
	Disposal of interest in a jointly controlled entity (note (vi))	–	146,981

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Connected persons	Nature of transaction	THE GROUP	
		2006 HK\$'000	2005 HK\$'000
Guangzhou Bopu Bio-Technology Co., Ltd. ("Guangzhou Bopu") and its subsidiary	Proposed acquisition of interest in a subsidiary ( <i>note (vii)</i> )	–	68,269
	Purchase of raw materials ( <i>note (iv)</i> )	26,381	40,706
	Additional capital in a subsidiary ( <i>note (viii)</i> )	28,890	–
Famerise Group Limited ("Famerise")	Disposal of interest in a subsidiary ( <i>note (ix)</i> )	26,000	–
Sichuan Quanxing Co., Ltd.	Sales of packaging materials ( <i>note (iv)</i> )	26,267	28,688
Xinnan (Tianjin) Paper Co., Ltd.	Purchase of raw materials ( <i>note (iv)</i> )	94,514	131,028
	Port agency service fees ( <i>note (iv)</i> )	5,173	4,237
Chifeng Pharmaceutical (Group) Co., Ltd.	Purchase of raw materials ( <i>note (iv)</i> )	9,282	765
<i>Fellow subsidiary of a minority shareholder of a subsidiary:</i>			
福建省廈門醫藥採購供應站	Sales of medicine products ( <i>note (iv)</i> )	6,664	7,547
<b>Balances</b>			
<i>Minority shareholders of subsidiaries:</i>			
China Qingchunbao and its subsidiaries	Balance at 31st December		
	– trade receivables	191	173
	– trade payables	713	711
	– dividend payable	–	9,230
許昌捲煙總廠	Balance at 31st December		
	– trade receivables	15,139	19,217
	– bills receivables	9,100	14,615

## Notes:

- (i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.
- (ii) The terms of these transactions were determined and agreed by both parties.
- (iii) On 6th December 2005, the Company entered into a sale and purchase agreement with Eternal to dispose of its entire interest in China Luck and the loan of HK\$4,216,000 to China Luck at a consideration of HK\$4,654,000.
- (iv) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage of profit mark-up.

- (v) On 17th January 2005, SIIC MedTech Health Products Limited (“SIIC Health Products”), a wholly-owned subsidiary of the Company, entered into a share transfer agreement, pursuant to which SIIC Health Products acquired a further 5% interest in Xiamen TCM from Kong Hee at a consideration of HK\$11,450,000. Details of this acquisition were included in a published announcement of the Company on the same date.
- (vi) On 21st April 2005, SI Pharmaceutical entered into an acquisition agreement with SPGC to acquire an additional 40% interest in Shanghai Medical Instruments Co., Ltd. at a consideration of RMB75,800,000 (approximately HK\$71,509,000).

On the same date, S. I. Pharmaceutical Holdings Ltd., a subsidiary of the Company, entered into a disposal agreement with SPGC to dispose of its entire 48% interest in Shanghai Sunve Pharmaceutical Co., Ltd. to SPGC at a consideration of RMB155,800,000 (approximately HK\$146,981,000).

Details of this acquisition and disposal were included in a circular issued by the Company dated 13th May 2005.

- (vii) On 20th October 2005, Guangzhou Techpool International Pharmaceutical Co., Ltd. (“Techpool International”), a subsidiary to be established by the Group, entered into an acquisition agreement to acquire an approximately 69.63% interest in Changzhou Techpool from Guangzhou Bopu at a consideration of RMB71,000,000 (approximately HK\$68,269,000). Details of this acquisition were included in a published announcement of the Company on the same date.
  - (viii) On 28th December 2006, SI Pharmaceutical agreed to contribute additional capital of RMB30,069,600 (approximately HK\$30,069,600) to Guangdong Techpool Biochem Pharma Co. Ltd. (“Guangdong Techpool”) by subscribing for 13,668,000 new shares in Guangdong Techpool at RMB2.2 per share. Guangzhou Bopu also agreed to contribute additional capital of RMB28,890,400 (approximately HK\$28,890,400) to Guangdong Techpool by subscribing for 13,132,000 new shares in Guangdong Techpool at RMB2.2 per share. Details of these transactions were included in a published announcement of the Company on the same date.
  - (ix) On 28th December 2006, Techpool International entered into a transfer agreement to transfer its 69.63% interest in Changzhou Techpool to Guangdong Techpool at a consideration of RMB71,000,000 (approximately HK\$71,000,000).
- On the same date, Famerise agreed to transfer its 25.82% interest in Changzhou Techpool to Shanghai United International Ltd., a non-wholly owned subsidiary of SI Pharmaceutical, at a consideration of HK\$26,000,000.
- Details of these transactions were included in a published announcement of the Company on 28th December 2006.
- (b) At 31st December 2006, SI Pharmaceutical had given guarantees amounting to approximately HK\$30 million (2005: nil) to banks in respect of banking facilities granted to Guangdong Techpool. Details of this provision of financial assistance were included in a published announcement of the Company dated 13th October 2006.
  - (c) Details of operating lease commitments with connected parties are set out in note 44.

## (II) Related parties, other than connected persons

- (a) In addition to the transactions with ultimate holding company and fellow subsidiaries as mentioned in note 49(I)(a) above, the significant transactions with related parties, during the year, and significant balances with them at the balance sheet date, are as follows:

Related parties	Nature of transaction	THE GROUP	
		2006 HK\$'000	2005 HK\$'000
Transactions			
A jointly controlled entity:			
河北永新紙業有限公司 (Hebei Yongxin Paper Co., Ltd.)	Interest income received	–	2,528
Associates:			
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.)	Purchase of materials	2,667	2,316
浙江天外包裝印刷股份有限公司 (Zhejiang Tianwai Printing Co., Ltd.)	Sales of cigarette box packaging materials (note(iv))	10	–
	Purchase of materials	–	385
	Dividend income received	2,040	–
四川科美紙業有限公司	Printing services income	679	227
Chengdu Jiuxing	Interest income received	–	107
廣西甲天下水松紙有限公司	Printing services income	8,369	9,601
西安永發醫藥包裝有限公司 (Xian Wing Fat Packing Co., Ltd.)	Interest paid	197	2,002
陝西永鑫紙業包裝有限公司	Sales of materials	3,672	2,380
Balances			
Jointly controlled entities:			
杭州胡慶餘堂國藥號有限公司 (Hangzhou Huqingyutang Drugstore Co., Ltd.)	Balance at 31st December – non-trade receivable	2,500	2,404
General Water of China	Balance at 31st December – short-term loan receivable	–	62,590
Associates:			
上海家化聯合股份有限公司	Balance at 31st December – short-term loan receivable	–	3,000
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.)	Balance at 31st December – trade payable	2,241	1,980



Related parties	Nature of transaction	THE GROUP	
		2006 HK\$'000	2005 HK\$'000
浙江天外印刷股份有限公司 (Zhejiang Tianwai Printing Co., Ltd.)	Balance at 31st December – trade receivable	16	251
四川科美紙業有限公司	Balance at 31st December – trade receivable	523	397
	– shareholder loan	1,274	1,225
廣西甲天下水松紙有限公司	Balance at 31st December – trade receivable	4,075	2,995
西安永發醫藥包裝有限公司 (Xian Wing Fat Packing Co., Ltd.)	Balance at 31st December – other short-term loan payable	–	27,200
	– non-trade receivables	7,477	7,477

(b) Details of pledged assets given by the Group to related parties are set out in note 47.

### (III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 HK\$'000	2005 HK\$'000
Short-term benefits	30,752	24,413
Share-based payments	5,392	1,204
	<u>36,144</u>	<u>25,617</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The Company's outstanding balances with related parties are set out in the balance sheet of the Company and in note 40.

## 50. Material Transactions and Balances with Other State-controlled Enterprises

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under SIIC which is controlled by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 49, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

Material transactions/balances with other state-controlled entities are as follows:

	2006 HK\$'000	2005 HK\$'000
<b>Transactions</b>		
Trade sales	<u>906,405</u>	<u>850,703</u>
Trade purchases	<u>371,828</u>	<u>240,810</u>
<b>Balances</b>		
Amounts due from other state-controlled entities	<u>249,450</u>	<u>283,988</u>
Amounts due to other state-controlled entities	<u>48,728</u>	<u>4,591</u>

In view of the nature of the Group's toll road operating business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions were with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

#### 51. Government Grants

During the year, the Group received government subsidies of approximately HK\$3,879,000 (2005: HK\$2,587,000) towards the cost of acquisition of plant and machinery. The amount has been deducted from the carrying amount of the relevant asset. The amount is transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of approximately HK\$2,330,000 (2005: HK\$1,985,000). As at 31st December 2006, an amount of HK\$20,628,000 (2005: HK\$18,237,000) remains to be amortised.

In addition, government grants of HK\$171.76 million (2005: nil) was received in the current year as compensation for the decrease of the toll fee income arising from the widening project of the toll road. The amount has been included in other income for the year.

## 52. Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31st December 2006 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/ subsidiaries	Principal activities
Chia Tai Qingchunbao ( <i>note (i)</i> )	PRC	RMB128,500,000	55%	Manufacture and sale of Chinese medicine and health products
上海滬寧高速公路(上海段)發展有限公司 (Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited) ( <i>note (ii)</i> )	PRC	RMB2,000,000,000	100%	Holding of a right to operate a toll road
S.I. Infrastructure Holdings Limited	British Virgin Islands/Hong Kong	US\$1	100%	Investment holding
SIHL Treasury Limited	Hong Kong	Ordinary shares – HK\$2	100%	Investment
SIIC Medicinal Science and Technology (Group) Limited	Cayman Islands/ Hong Kong	Ordinary shares – HK\$40,893,400	100%	Investment holding
Nanyang Tobacco (Marketing) Company, Limited	British Virgin Islands/PRC and Macau	Ordinary shares – US\$1 – HK\$100,000,000	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK\$2  Non-voting deferred shares – HK\$8,000,000	100%  –	Manufacture and sale of cigarettes
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK\$2,000,000  Non-voting deferred shares – HK\$1,829,510	93.44%  –	Manufacture and sale of packaging materials, printed products and paper making
SI Pharmaceutical ( <i>note (iii)</i> )	PRC	Ordinary shares – RMB367,814,821	43.62%	Investment holding
廈門中藥廠有限公司 Xiamen Traditional Chinese Medicine Co., Ltd. ("Xiamen TCM") ( <i>note (i)</i> )	PRC	RMB47,830,000	61%	Manufacture and sale of Chinese medicine
遼寧好護士藥業(集團)有限公司 Liaoning Herbapex Pharmaceutical (Group) Co., Ltd. ("Liaoning Herbapex") ( <i>note (i)</i> )	PRC	RMB51,000,000	55%	Manufacture and sale of Chinese medicine
上海三維生物技術有限公司 (Shanghai Sunway Biotech Co., Ltd.) ( <i>note (i)</i> )	PRC	US\$15,343,300	70.4%	Manufacture and sale of biomedicine
Huqingyutang Pharmaceutical ( <i>note (i)</i> )	PRC	RMB53,160,000	51.007%	Manufacture and sale of Chinese medicine and health products

*Notes:*

- (i) The company was established in the PRC as a Sino-foreign equity joint venture company.
- (ii) The company was established in the PRC as a wholly foreign owned enterprise.
- (iii) The company is a company listed on the A share market of the Shanghai Stock Exchange.

With the exception of S. I. Infrastructure Holdings Limited and SIHL Treasury Limited, all the above subsidiaries are indirectly held by the Company.

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

### 53. Principal Jointly Controlled Entities

Particulars of the Group's principal jointly controlled entities at 31st December 2006 are as follows:

Name of jointly controlled entity	Place of incorporation or establishment/ operations	Percentage of registered capital attributable to the Group	Principal activities
上海滙眾汽車製造有限公司 (Shanghai Huizhong Automotive Manufacturing Company Limited)	PRC	50%	Manufacture and sale of vehicles, automobile components and spare parts
上海市信息投資股份有限公司 (Shanghai Information Investment Inc.)	PRC	20%	Development of communication infrastructure and cable network and provision of internet-related services
上海萬眾汽車零部件有限公司 (Shanghai Wanzhong Automotive Components Co., Ltd.)	PRC	50%	Manufacture and sale of automobile components and spare parts
General Water of China	PRC	50%	Joint investment and operation of water-related and environment protection business in the PRC
浙江金華甬金高速公路有限公司 (Zhejiang Jinhua Yongjin Expressway Co., Ltd.)	PRC	30%	Construction and operation of a toll road

All the above jointly controlled entities are Sino-foreign equity joint venture companies and indirectly held by the Company.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

#### 54. Principal Associates

Particulars of the Group's principal associates at 31st December 2006 and which are all Sino-foreign equity joint venture companies established in the PRC are as follows:

Name of associate	Percentage of registered capital		Principal activities
	held by the subsidiaries	attributable to the Group	
Semiconductor Manufacturing International Corporation ("SMIC") ( <i>note</i> )	9.85%	9.85%	Investment holding and manufacture and marketing of advanced technology semiconductors
光明乳業股份有限公司 (Bright Dairy and Food Co., Ltd.) ("Bright Dairy")	25.17%	25.17%	Manufacture, distribution and sale of dairy and related products
上海實業交通電器有限公司 (Shanghai SIIC Transportation Electric Co., Ltd.)	30%	30%	Manufacture, distribution and sale of automobile components

*Note:* In the opinion of the directors, the Group can exercise significant influence over the financial and operating policy decisions of SMIC through the Group's ability to appoint a board representative and accordingly SMIC is classified as an associate.

All the above associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

#### 55. Segment Information

For management purposes, the Group is currently organised into four operating businesses – infrastructure facilities, medicine, consumer products and information technology. These businesses are the basis on which the Group reports its primary segment information.

Principal businesses are as follows:

Infrastructure facilities	–	investment in toll road projects and water-related business
Medicine	–	manufacture and sale of medicine and health food; medical equipment
Consumer products	–	manufacture and sale of cigarettes, packaging materials, printed products, paper making, dairy products, commercial vehicles, automobile components and spare parts
Information technology	–	development of communication infrastructure and information technology business

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Segment information about these businesses is presented below:

2006	Infrastructure facilities HK\$'000	Medicine HK\$'000	Consumer products HK\$'000	Information technology HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Income statement:</b>						
External sales	276,419	3,729,130	2,845,474	–	–	6,851,023
Segment results	388,249	385,908	565,312	–	–	1,339,469
Net unallocated corporate income						306,561
Finance costs						(104,555)
Share of results of jointly controlled entities	12,785	43,086	23,832	20,080	(78,631)	21,152
Share of results of associates	–	15,440	172,855	(31,080)	–	157,215
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities						23,842
Gain on disposal of available-for-sale investments						268,074
Dilution loss on share reform of a subsidiary						(214,955)
Loss on share reform of an associate						(27,739)
Impairment losses recognised in respect of goodwill relating to a subsidiary and interest in a jointly controlled entity						(32,352)
Profit before taxation						1,736,712
Income tax expenses						(236,442)
Profit for the year						1,500,270

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2006	Infrastructure facilities HK\$'000	Medicine HK\$'000	Consumer products HK\$'000	Information technology HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Balance sheet:</b>						
<b>ASSETS</b>						
Segment assets	2,656,970	4,269,893	3,712,845	100	–	10,639,808
Interests in jointly controlled entities	773,918	129,261	1,251,863	289,951	–	2,444,993
Interests in associates	–	134,466	1,348,282	2,311,142	–	3,793,890
Unallocated corporate assets						<u>6,779,437</u>
Consolidated total assets						<u>23,658,128</u>
<b>LIABILITIES</b>						
Segment liabilities	20,878	905,852	498,893	–	–	1,425,623
Unallocated corporate liabilities						<u>2,501,510</u>
Consolidated total liabilities						<u>3,927,133</u>
<b>Other information:</b>						
Capital additions	101,761	295,702	110,986	–	2,741	511,190
Depreciation and amortisation	67,654	120,494	131,833	–	2,874	322,855
Impairment loss on available- for-sale investments	–	1,900	–	–	–	1,900
Impairment loss on bad and doubtful debts	–	25,918	27,374	–	–	53,292
Equity-settled share-based payment expense	–	206	–	–	10,872	11,078

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2005	Infrastructure facilities <i>HK\$'000</i>	Medicine <i>HK\$'000</i>	Consumer products <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Income statement:</b>					
External sales	<u>181,578</u>	<u>3,567,264</u>	<u>2,276,443</u>	<u>–</u>	<u>6,025,285</u>
Segment results	146,673	336,477	551,149	109,578	1,143,877
Net unallocated corporate income					156,826
Finance costs					(82,024)
Share of results of jointly controlled entities	26,669	48,677	(104,648)	32,141	2,839
Share of results of associates	–	26,632	162,386	(86,486)	102,532
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities					180,661
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and a jointly controlled entity					(26,185)
Discount on acquisition of additional interests in subsidiaries					2,324
Impairment loss on assets classified as held for sale					<u>(31,247)</u>
Profit before taxation					1,449,603
Income tax expenses					<u>(194,042)</u>
Profit for the year					<u>1,255,561</u>



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2005	Infrastructure facilities HK\$'000	Medicine HK\$'000	Consumer products HK\$'000	Information technology HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Balance sheet:</b>						
<b>ASSETS</b>						
Segment assets	2,419,323	4,113,766	3,858,753	145,844	–	10,537,686
Interests in jointly controlled entities	778,176	89,527	1,124,418	398,387	–	2,390,508
Interests in associates	–	563,110	963,308	2,341,639	–	3,868,057
Unallocated corporate assets						<u>5,175,904</u>
Consolidated total assets						<u><u>21,972,155</u></u>
<b>LIABILITIES</b>						
Segment liabilities	12,590	803,191	418,756	15,000	–	1,249,537
Unallocated corporate liabilities						<u>2,514,589</u>
Consolidated total liabilities						<u><u>3,764,126</u></u>
<b>Other information:</b>						
Capital additions	15,679	374,102	579,334	–	4,436	973,551
Depreciation and amortisation	42,234	90,136	130,294	–	3,302	265,966
Impairment loss on available-for-sale investments	–	9,648	–	–	–	9,648
Impairment loss on bad and doubtful debts	–	10,940	13,484	–	–	24,424
Loss on disposal of property, plant and equipment	–	1,365	7,474	–	(56)	8,783
Equity-settled share-based payment expense	–	2,227	–	–	3,911	6,138

### Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services:

	Sales revenue by geographical market	
	2006	2005
	HK\$'000	HK\$'000
PRC	5,511,545	4,557,639
Asia	926,123	931,842
Hong Kong	323,438	485,762
Other areas	<u>89,917</u>	<u>50,042</u>
	<u><u>6,851,023</u></u>	<u><u>6,025,285</u></u>

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**APPENDIX I**

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**FINANCIAL INFORMATION OF THE GROUP**

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

	Carrying of segment assets amount		Additions to property, plant and equipment and intangible assets	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Geographical region</b>				
PRC	8,996,885	9,413,085	490,322	876,571
Asia	1,083	1,131	–	–
Hong Kong	1,641,840	1,067,850	20,868	96,980
Other areas	–	55,620	–	–
	<u>10,639,808</u>	<u>10,537,686</u>	<u>511,190</u>	<u>973,551</u>

**FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP**

The Group went through a period of strategic changes since 2006. Seeking breakthroughs while consolidating its existing core businesses; developing new opportunities while taking part in the restructuring of state-owned assets and identifying new market positioning in the course of developing key strategies - these strategic moves are expected to strengthen the Group's core businesses, broaden its profit base, and create new opportunities for its future development.

The economy of Mainland China has continued to grow, with the gradual opening of the capital markets and acceleration in capital market reforms. Along with continuous improvement and adjustments in industry policies, the Group is faced with unprecedented development opportunities.

Riding on promising market conditions, in July 2007 the Group announced the placement of 96,900,000 new Shares by way of a top-up placing. With a placing price of HK\$31.2 per Share, a total of HK\$3 billion was raised from the placement. The proceeds are intended to be applied towards the acquisition of assets and projects for the infrastructure facilities and real estate businesses, including commercial properties projects such as office towers and hotels.

**Real Estate**

With support from all relevant parties, it is gratifying to note that the Group's orderly participation in the strategic restructuring of quality state-owned real estate resources in Shanghai achieved major breakthroughs. Further to the acquisition of 40% equity interest in Shanghai Urban Development announced by the Company in June 2007, the Company has in October announced that an agreement with Xuhui SAAC regarding the acquisition of a further 19% equity interest in Shanghai Urban Development was signed. The aggregate consideration for the respective acquisitions was approximately RMB3,850 million (equivalent to approximately HK\$4,010 million). Upon completion of the Proposed Acquisition, the Company will have a 59% equity interest in Shanghai Urban Development.

The Proposed Acquisition will result in the Company acquiring a controlling stake in Shanghai Urban Development and enables the Group to acquire quality real estate projects and companies in Shanghai. It also represents a milestone for the Company in participating in the strategic restructuring of state-owned real estate assets in Shanghai. With its strong balance sheet, low gearing and strong cash flow, the Company is well positioned for the expansion and consolidation of real estate businesses.

Shanghai Urban Development has a land bank of more than 2 million square meters of gross floor area, including commercial and residential development projects of strategic value located in Shanghai, Kunshan in Jiangsu, Changsha in Hunan and Hefei in Anhui. Among them are "Xujiahui Centre" and "Urban Cradle". "Xujiahui Centre" will be one of the largest comprehensive commercial projects in downtown Shanghai. "Urban Cradle" is one of the largest residential project in the Middle Ring Road territory of Shanghai. The total investments of these two projects are estimated to reach RMB26 billion (equivalent to approximately HK\$27 billion).

**Infrastructure Facilities**

The widening and alteration works of the Hu-Ning Expressway (Shanghai Section), doubling the original dual carriageway with four lanes to a dual carriageway with eight lanes, are now progressing in full force and are scheduled for completion in 2008. The section continued to benefit from certain government compensations in its expansion and widening works until the year ending 31st December 2008.

General Water of China Co. Ltd. was ranked by H2O-China.com as one of the Top 10 Influential Water Services Companies in the year 2006. This represented the fourth consecutive year that the company has received such accreditation, and reflected its recognition in the market. In view of the pace of business development, the funding requirement of General Water of China Co. Ltd. is increasing. General Water of China Co. Ltd. will attend to the issue by further improving its capital structure. Meanwhile, the company will strive to improve the performance of its water supply and sewage treatment projects to attain economies of scale, and to complete all construction works on schedule.

**Medicine**

The pharmaceutical industry in the PRC is still facing the pressure of price decreases and cost increases. Nevertheless, the overall operating environment is improving, and this is expected to lead to a new round of accelerated development after the recession.

In May 2007, the Company announced the injection of five Chinese pharmaceutical business entities, including Chia Tai Qingchunbao Pharmaceutical Co. Ltd., into Shanghai Industrial Pharmaceutical Investment Co. Ltd. for a consideration of RMB1,515 million (equivalent to approximately HK\$1,578 million). This amount will be settled by the issue of 107.22 million new shares by Shanghai Industrial Pharmaceutical Investment Co. Ltd.. Of these, the Company will subscribe a total of 46,770,000 shares at a price of RMB14.13 per share. Following the completion of the restructuring, the Chinese medicine business of the Group will be grouped under a unified platform of Shanghai Industrial Pharmaceutical Investment Co. Ltd.. The asset injection is expected to improve the income stream and cash flow of Shanghai Industrial Pharmaceutical Investment Co. Ltd. from its principal operation and placing it in a stronger position to grasp available opportunities in the thriving PRC capital market. The approval process of the restructuring scheme is currently in progress.

**Consumer Products**

Remarkable progress in divesting non-core businesses in consumer products sector contributed to the success of the Group's business transformation. In June 2007, the Company announced the disposals of its non-controlling stakes in Shanghai Huizhong Automotive Manufacturing Co. Ltd., Shanghai Wanzhong Automotive Components Co. Ltd. and Shanghai SIIC Transportation Electric Co. Ltd. at a total consideration of RMB1,605 million (equivalent to approximately HK\$1,672 million). The disposals provided an exit opportunity for the Company to direct its resources to other core business projects in order to optimize its asset portfolio. The transactions were completed, bringing an exceptional gain of HK\$155 million to the Group.

Nanyang Brothers Tobacco Co. Ltd. achieved remarkable results in the first half of 2007. Various measures were taken by Nanyang Brothers Tobacco Co. Ltd. to optimize its market mix, upgrade technology, refine management system and build up corporate identity. Whilst Nanyang Brothers Tobacco Co. Ltd. continued to strive for structural changes, more efforts were devoted to upgrading its technologies, as well as redeveloping and upgrading the production lines. These initiatives facilitated the modernization of equipment.

The business of The Wing Fat Printing Co. Ltd. has grown to a size sufficient to command a separate listing status. An advance booking form was made to for the separate listing of its shares on the Main Board of the Stock Exchange in August 2007. The proposed spin-off is subject to, among others, the conditions referred to in the circular to the Shareholders dated 9th November 2007, the decision of the Board as well as market conditions prevailing at the time immediately before the proposed spin-off. The value of The Wing Fat Printing Co. Ltd. is expected to be enhanced through the proposed spin-off given that a listing on the Stock Exchange will enable it to directly and independently access both equity and debt capital markets, as well as facilitate it to secure bank credit facilities. The Company is expected to remain as a controlling shareholder of The Wing Fat Printing Co. Ltd. after completion of the proposed spin-off, and the Group is expected to benefit from any enhanced value of The Wing Fat Printing Co. Ltd. through the proposed Spin-off.

### **Business Outlook**

Our series of strategic moves – penetration in the real estate business, divestment of non-core businesses and restructuring of assets – reflected the Company's overall development strategy and its determination to pursue persistent and steady earning growth with consumer products as foundation and real estate, infrastructure and medicine as core development sectors.

On the real estate business, while capitalizing on its unique position with Shanghai background and the resources of its controlling shareholder, the Group will leverage on the expertise of its management as well as the extensive experience of Shanghai Urban Development to step up the efforts in the acquisition of quality real estate projects and companies in Shanghai and the surrounding area. The Group will also participate in the strategic restructuring of state-owned real estate assets in Shanghai, increase land bank and premier properties, and enhance the overall profitability to an agreeable level as a core business.

To further expand its toll road business, the Group will actively pursue projects with excellent earning prospects by expanding toll road operations in Shanghai and other fast-growing provinces. The Group will devote more efforts in its water services projects so as to maximize economies of scale for water supply and sewage treatment projects. Endeavours will be made to improve the capital structure of General Water of China Co. Ltd. and create better return for the Shareholders.

As to the medicine business, the Group will quicken its pace to finalize the establishment of Shanghai Industrial Pharmaceutical Investment Co. Ltd. as a unified investment platform, and continue to adopt Chinese pharmaceuticals and biomedicine as its

principal development directions. Efforts will be devoted to consolidate our distribution network in the PRC, encourage new drug research and development, and pursue of strategic cooperation with international pharmaceutical companies.

On the consumer products business, the Group will focus its efforts on enhancing operational efficiency and profitability as well as to strengthen sales and distribution channels. The Group will also leverage on its strong brand position to ensure steady cash flow from an enlarged revenue base.

#### **MATERIAL ACQUISITION SINCE 31ST DECEMBER 2006**

On 27th June 2007, the Company entered into a capital contribution agreement, a joint venture contract and joint venture articles with Xuhui SAAC in relation to the acquisition by the Company of 40% equity interest in Shanghai Urban Development by making a capital contribution of RMB2,130,660,600 in aggregate, particulars of which are disclosed in the announcement of the Company dated 27th June 2007.

There has been no variation to the aggregate remuneration payable to and benefits in kind receivable by the directors of Shanghai Urban Development in consequence of such acquisition.

## PROPERTY VALUATION

The following table sets forth the reconciliation of the properties of the Urban Development Group from the audited consolidated financial statements as at 31st July 2007 to the property valuation in Appendix IV to this circular as at 30th September 2007:

	<b>The Urban Development Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31st July</b>	<b>30th September</b>
	<b>2007</b>	<b>2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Valuation of properties as at 30th September 2007 as set out in the valuation report in Appendix IV to this circular		8,911,920
Carrying value of the properties as at 31st July 2007:		
Properties under development for sales	5,227,689	
Completed properties held for sale	137,768	
Property, plant and equipment	89,366	
Investment properties	<u>339,890</u>	
Total	5,794,713	
Add: Additions during the period from 1st August 2007 to 30th September 2007 (unaudited)	242,600	
Carrying value of properties of the Urban Development Group as at 30th September 2007 subject to valuation as set out in the Valuation Report in Appendix IV to this circular		<u>6,037,313</u>
Revaluation surplus, before corporate income tax and LAT and minority interests		<u><u>2,874,607</u></u>



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19th December 2007

The Directors  
Shanghai Industrial Holdings Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) regarding 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) (“Urban Development”) and its subsidiaries (hereinafter collectively referred to as the “Urban Development Group”) for each of the three years ended 31st December 2006 and the seven months ended 31st July 2007 (the “Relevant Periods”) for inclusion in the circular dated 19th December 2007 issued by Shanghai Industrial Holdings Limited (the “Company”, the Company and its subsidiaries are hereinafter collectively referred to as the “Group”) in connection with a proposed acquisition of additional 19% equity interest in Urban Development (the “Circular”).

Urban Development was established as a state-owned enterprise in the People’s Republic of China (the “PRC”) on 30th April 1996 and converted to a sino-foreign equity joint venture company in July 2007 following the acquisition by the Company of a 40% equity interest in it. It acts as an investment holding and property investment company. It is managed by 上海市徐匯區國有資產監督管理委員會 Xuhui District State-owned Assets Administrative Committee (“Xuhui SAAC”), a government authority authorised by and established directly under Shanghai Xuhui District People’s Government for supervising and managing state-owned assets in the possession of Xuhui District to exercise state-owned shareholders’ right over Urban Development.

At the date of this report, the details of the subsidiaries comprising the Urban Development Group are set out in note 45 of section A below. In addition, the details of the associates of the Urban Development Group are also set out in note 20 of section A below.



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**APPENDIX II****FINANCIAL INFORMATION ON  
SHANGHAI URBAN DEVELOPMENT**

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During the Relevant Periods, the audited statutory financial statements of the following entities of the Urban Development Group, were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises established in the PRC (the “PRC Audited Accounts”) and were audited by the following certified public accountants registered in the PRC:

<b>Name of entity</b>	<b>Financial period</b>	<b>Name of auditors</b>
Urban Development	For the year ended 31st December 2004	上海中洲會計師事務所 有限公司 (Shanghai Zhongzhou Certified Public Accountants Co., Ltd.) (“Shanghai Zhongzhou”)
	Each of the two years ended 31st December 2006	上海天成會計師事務所 有限公司 (“Shanghai Tian Cheng Certified Public Accountants Co., Ltd.) (“Shanghai Tian Cheng”)
上海石龍工業區聯合發展有限公司 (Shanghai Shilong Industrial Zone Joint Development Co., Ltd.) (“Shanghai Shilong”)	Each of the two years ended 31st December 2005	Shanghai Zhongzhou
	For the year ended 31st December 2006	Shanghai Tian Cheng
上海家得利超市有限公司 (Shanghai Jiadeli Supermarket Co., Ltd.) (“Shanghai Jiadeli”)*	For the year ended 31st December 2004	Shanghai Zhongzhou
	Each of the two years ended 31st December 2006	Shanghai Tian Cheng
新上海國際商城發展有限公司 (Shanghai International Commercial City Development Co., Ltd.) (“Shanghai International Commercial City”)	Each of the two years ended 31st December 2005	Shanghai Zhongzhou
	For the year ended 31st December 2006	Shanghai Tian Cheng
上海城開住宅安置有限公司 (Shanghai Urban Development Residential Settlement Co., Ltd.) (“Shanghai Residential Settlement”)	Each of the two years ended 31st December 2005	Shanghai Zhongzhou
	For the year ended 31st December 2006	Shanghai Tian Cheng

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**APPENDIX II****FINANCIAL INFORMATION ON  
SHANGHAI URBAN DEVELOPMENT**

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<b>Name of entity</b>	<b>Financial period</b>	<b>Name of auditors</b>
上海城開對外貿易有限公司 (Shanghai Urban Development Foreign Trade Co., Ltd.) ("Shanghai Foreign Trade")	For the year ended 31st December 2004	Shanghai Zhongzhou
	Each of the two years ended 31st December 2006	Shanghai Tian Cheng
上海城開產權經紀有限公司 (Shanghai Urban Development Assets and Equity Agency Co., Ltd.) ("Shanghai Assets and Equity Agency")	Each of the two years ended 31st December 2005	Shanghai Zhongzhou
	For the year ended 31st December 2006	Shanghai Tian Cheng
上海申大物業有限公司 (Shanghai Shen Da Properties Co., Ltd.) ("Shanghai Shen Da Properties")	Each of the two years ended 31st December 2005	Shanghai Zhongzhou
	For the year ended 31st December 2006	Shanghai Tian Cheng
上海萬源房地產開發有限公司 (Shanghai Wan Yuan Real Estate Development Co., Ltd.) ("Shanghai Wan Yuan")	Each of the three years ended 31st December 2006	上海定昆會計師事務所 有限公司 (Shanghai Deking Certified Public Accountants Co., Ltd.)
湖南城開德普置業有限公司 (Hunan Urban Development Depu Property Development Co., Ltd.) ("Hunan Depu")	For the period from 9th March 2004 to 31st December 2004	長沙樂為有限責任會計師 事務所 (Chang Sha Lewei C.P.A. Office Ltd.)
	For the year ended 31st December 2005	湖南大信有限責任會計師 事務所 (Hunan Da Xin Certified Public Accountants Ltd.) ("Hunan Da Xin")
	For the year ended 31st December 2006	Shanghai Tian Cheng
上海森鑫投資有限公司 (Shanghai Sen Xin Investment Co., Ltd.) ("Shanghai Sen Xin")	For the year ended 31st December 2006	Shanghai Tian Cheng
昆山城開房地產開發有限公司 (Kunshan Urban Development Real Estate Development Co., Ltd.) ("Kunshan Urban Development")	For the year ended 31st December 2005	Shanghai Zhongzhou
	For the year ended 31st December 2006	Shanghai Tian Cheng

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**APPENDIX II****FINANCIAL INFORMATION ON  
SHANGHAI URBAN DEVELOPMENT**

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<b>Name of entity</b>	<b>Financial period</b>	<b>Name of auditors</b>
上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment Development Co., Ltd.) ("Shanghai Huanyu")	For the year ended 31st December 2006	Shanghai Tian Cheng
上海城開集團合肥置業有限公司 (Shanghai Urban Development Group Hefei Real Estate Co., Ltd.) ("Shanghai Hefei")	For the period from 1st March 2006 to 31st December 2006	Shanghai Tian Cheng
長沙城普置業有限公司 (Changsha Chengpu Property Development Co. Ltd.) ("Changsha Chengpu")	For the year ended 31st December 2005  For the year ended 31st December 2006	Hunan Da Xin  Shanghai Tian Cheng

\* Being the consolidated financial statement prepared for management purposes

Other than above, no audited statutory financial statements have been prepared for the remaining entities of the Urban Development Group as there was no statutory requirement for these companies in the PRC.

For the purpose of this report, management of Urban Development has prepared consolidated management accounts of the Urban Development Group for the three years ended 31st December 2006 in accordance with the significant accounting policies which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as set out in note 4 of the section A below, such accounts were prepared based on the PRC Audited Accounts and management accounts of the entities comprising the Urban Development Group after taking into account the adjustments which management of Urban Development considered necessary ("Underlying HKGAAP Management Accounts"). We have carried out independent audit procedures on the above mentioned management accounts in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and examined and carried out additional audit procedure, as necessary on the PRC Audited Accounts and the related adjustments made by management of the Urban Development in preparing the Underlying HKGAAP Management Accounts.

In addition, for the purpose of this report, management of Urban Development has also prepared consolidated management accounts of the Urban Development Group for the seven months ended 31st July 2007 in accordance with the significant accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA as set out in note 4 of the section A below (the "2007 HKGAAP Management Accounts"). We have carried out independent audit procedures on the 2007 HKGAAP Management Accounts in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying HKGAAP Management Accounts and the 2007 HKGAAP Management Accounts (collectively referred to as the “Underlying Management Accounts”) of the Urban Development Group in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information has been prepared from the Underlying Management Accounts. No adjustments are considered necessary to adjust the Underlying Management Accounts for the Relevant Periods for the preparation of the Financial Information.

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

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Urban Development Group and Urban Development as at 31st December 2004, 2005 and 2006 and 31st July 2007 and of the consolidated results and cash flows of the Urban Development Group for each of the three years ended 31st December 2006 and the seven months ended 31st July 2007.

The comparative consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Urban Development Group for the seven months ended 31st July 2006 together with the notes thereon have been extracted from the Urban Development Group’s unaudited consolidated financial information for the same period (the “31st July 2006 Financial Information”) which was prepared by the directors of Urban Development solely for the purpose of this report. We have reviewed the 31st July 2006 Financial Information in accordance with the Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the 31st July 2006 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31st July 2006 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 31st July 2006 Financial Information.

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### A. FINANCIAL INFORMATION

#### CONSOLIDATED INCOME STATEMENTS

		Year ended 31st December			Seven months ended 31st July	
		2004	2005	2006	2006	2007
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Turnover	7&8	2,707,752	2,045,828	4,185,095	3,344,044	1,222,214
Cost of sales		<u>(2,110,633)</u>	<u>(1,648,331)</u>	<u>(3,063,614)</u>	<u>(2,308,600)</u>	<u>(1,051,710)</u>
Gross profit		597,119	397,497	1,121,481	1,035,444	170,504
Other income	9	173,013	227,415	258,209	126,231	182,852
Distribution and selling costs		(276,733)	(391,366)	(343,251)	(198,765)	(214,905)
Administrative expenses		(99,652)	(127,392)	(180,169)	(103,098)	(118,510)
Impairment loss recognised in respect of trade and other receivables		(17,501)	–	(6,424)	(6,412)	–
Other expenses		(19,745)	(16,077)	(24,308)	(6,383)	(14,317)
Finance costs	10	(20,880)	(27,074)	(52,658)	(19,850)	(26,383)
Gain on disposal of interests in subsidiaries	34	34,700	–	7,555	7,555	2,447
Gain (loss) on disposal of interests in associates		–	–	3,966	3,700	(418)
Loss on partial disposal of interests in subsidiaries		(393)	(2,784)	–	–	–
Share of results of associates		<u>10,648</u>	<u>3,635</u>	<u>5,537</u>	<u>2,556</u>	<u>4,900</u>
Profit (loss) before taxation		380,576	63,854	789,938	840,978	(13,830)
Income tax expense	11	<u>(154,928)</u>	<u>(18,585)</u>	<u>(422,790)</u>	<u>(433,124)</u>	<u>36,595</u>
Profit for the year/period	12	<u>225,648</u>	<u>45,269</u>	<u>367,148</u>	<u>407,854</u>	<u>22,765</u>
Attributable to						
– Equity holders of the parent		223,179	39,040	299,048	338,094	27,051
– Minority interests		<u>2,469</u>	<u>6,229</u>	<u>68,100</u>	<u>69,760</u>	<u>(4,286)</u>
		<u>225,648</u>	<u>45,269</u>	<u>367,148</u>	<u>407,854</u>	<u>22,765</u>
Dividends	15	<u>12,328</u>	<u>115,079</u>	<u>115,675</u>	<u>50,000</u>	<u>–</u>

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### CONSOLIDATED BALANCE SHEETS

		As at 31st December			As at
		2004	2005	2006	31st July
	Notes	RMB'000	RMB'000	RMB'000	2007
					RMB'000
NON-CURRENT ASSETS					
Investment properties	16	263,810	270,100	297,700	339,890
Property, plant and equipment	17	285,501	279,791	299,370	297,431
Prepaid lease payments – non-current portion	18	4,643	4,508	4,373	4,294
Interests in associates	20	194,283	457,647	126,889	81,480
Available-for-sale investments	21	–	6,108	4,073	46,382
Investment securities	21	9,646	–	–	–
Loan receivables – due after one year	22	–	–	10,000	–
Deposits paid for acquisition of property, plant and equipment	23	–	8,460	–	–
Restricted bank deposits	24	62,496	62,954	63,414	63,645
Deferred tax assets	25	35,649	49,356	32,963	49,694
		<u>856,028</u>	<u>1,138,924</u>	<u>838,782</u>	<u>882,816</u>
CURRENT ASSETS					
Inventories	26	4,366,830	4,673,491	5,522,627	5,670,788
Trade and other receivables	27	520,096	356,089	397,002	436,951
Prepaid lease payments – current portion	18	135	135	135	135
Investments held-for-trading	28	–	847	7,261	38,424
Other investments	28	9,326	–	–	–
Loan receivables – due within one year	22	–	–	64,400	31,860
Amounts due from minority shareholders of subsidiaries	42(b)	100,742	295,305	428,548	1,000,726
Amounts due from associates	42(b)	19,058	18,896	15,300	15,300
Taxation recoverable		1,595	197	–	32,141
Bank balances and cash	24	<u>293,913</u>	<u>1,420,977</u>	<u>919,284</u>	<u>3,164,042</u>
		<u>5,311,695</u>	<u>6,765,937</u>	<u>7,354,557</u>	<u>10,390,367</u>

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

		As at 31st December			As at 31st July
		2004	2005	2006	2007
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
CURRENT LIABILITIES					
Trade and other payables	29	2,895,666	3,343,340	2,188,320	3,119,717
Amount due to Xuhui SAAC	42(b)	–	–	234,600	251,600
Amounts due to minority shareholders of subsidiaries	42(b)	445,981	450,695	202,248	199,221
Amounts due to associates	42(b)	88,253	96,247	100,054	50,703
Financial guarantee contracts	30	–	3,165	1,844	2,886
Taxation payable		389,903	305,878	642,681	450,128
Bank loans – due within one year	31	1,313,000	807,000	1,845,000	1,930,000
Loan from a related party	42(b)	36,000	–	130,000	137,500
		<u>5,168,803</u>	<u>5,006,325</u>	<u>5,344,747</u>	<u>6,141,755</u>
NET CURRENT ASSETS		<u>142,892</u>	<u>1,759,612</u>	<u>2,009,810</u>	<u>4,248,612</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>998,920</u>	<u>2,898,536</u>	<u>2,848,592</u>	<u>5,131,428</u>
NON-CURRENT LIABILITIES					
Bank loans – due after one year	31	50,000	1,470,000	687,500	880,000
Loan from a related party	42(b)	–	500,000	500,000	500,000
Deferred tax liabilities	25	281,860	284,613	270,094	231,090
		<u>331,860</u>	<u>2,254,613</u>	<u>1,457,594</u>	<u>1,611,090</u>
		<u>667,060</u>	<u>643,923</u>	<u>1,390,998</u>	<u>3,520,338</u>
CAPITAL AND RESERVES					
Paid-in capital	32	180,800	180,800	180,800	301,330
Reserves		<u>303,998</u>	<u>272,746</u>	<u>577,663</u>	<u>2,622,663</u>
Equity attributable to equity holders of the parent		484,798	453,546	758,463	2,923,993
Minority interests		<u>182,262</u>	<u>190,377</u>	<u>632,535</u>	<u>596,345</u>
Total equity		<u>667,060</u>	<u>643,923</u>	<u>1,390,998</u>	<u>3,520,338</u>

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### BALANCE SHEETS

		As at 31st December			As at
		2004	2005	2006	31st July
	Notes	RMB'000	RMB'000	RMB'000	2007
					RMB'000
NON-CURRENT ASSETS					
Investment properties	16	263,810	270,100	297,700	339,890
Property, plant and equipment	17	84,371	81,599	74,879	73,625
Investments in subsidiaries	19	1,120,296	1,099,757	2,102,253	2,185,990
Investments in associates	20	159,739	424,929	89,739	51,083
Available-for-sale investments	21	–	5,458	3,173	45,582
Investment securities	21	8,996	–	–	–
Deferred tax assets	25	9,111	9,441	11,950	6,090
		<u>1,646,323</u>	<u>1,891,284</u>	<u>2,579,694</u>	<u>2,702,260</u>
CURRENT ASSETS					
Inventories	26	1,076,937	967,034	389,810	471,222
Trade and other receivables	27	66,476	27,671	37,401	30,682
Loan receivables	22	–	–	54,400	10,513
Investments held-for-trading	28	–	782	733	2,298
Other investments	28	9,239	–	–	–
Amounts due from subsidiaries	42(b)	780,334	1,167,373	707,746	579,404
Amounts due from minority shareholders of subsidiaries	42(b)	6,120	165,120	94,124	618,213
Bank balances and cash	24	153,651	303,488	281,307	2,235,035
		<u>2,092,757</u>	<u>2,631,468</u>	<u>1,565,521</u>	<u>3,947,367</u>
CURRENT LIABILITIES					
Trade and other payables	29	1,949,468	2,276,463	1,125,452	951,333
Amounts due to subsidiaries	42(b)	80,844	243,004	220,044	773,833
Amount due to Xuhui SAAC	42(b)	–	–	234,600	251,600
Amounts due to associates	42(b)	88,253	96,247	100,054	50,703
Amounts due to minority shareholders of a subsidiary	42(b)	–	29,600	29,600	29,847
Financial guarantee contracts	30	–	3,165	1,844	2,886
Taxation payable		317,924	284,082	346,251	320,239
Bank loans – due within one year	31	668,000	423,000	545,000	630,000
Loan from a related party	42(b)	36,000	–	130,000	137,500
		<u>3,140,489</u>	<u>3,355,561</u>	<u>2,732,845</u>	<u>3,147,941</u>



## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

	<i>Notes</i>	As at 31st December			As at
		2004	2005	2006	31st July
		RMB'000	RMB'000	RMB'000	2007
					RMB'000
NET CURRENT					
(LIABILITIES) ASSETS		(1,047,732)	(724,093)	(1,167,324)	799,426
TOTAL ASSETS LESS					
CURRENT LIABILITIES		598,591	1,167,191	1,412,370	3,501,686
NON-CURRENT					
LIABILITIES					
Bank loans – due after one					
year	31	50,000	130,000	107,500	170,000
Loan from a related party	42(b)	–	500,000	500,000	500,000
Deferred tax liabilities	25	67,204	69,957	77,074	67,092
		117,204	699,957	684,574	737,092
		481,387	467,234	727,796	2,764,594
CAPITAL AND RESERVES					
Paid-in capital	32	180,800	180,800	180,800	301,330
Reserves	33	300,587	286,434	546,996	2,463,264
		481,387	467,234	727,796	2,764,594

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Total RMB'000
	Paid-in capital	Capital reserve	Properties revaluation reserve	Statutory reserves	Accumulated profits	Total	Minority interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1st January 2004	180,800	(223,904)	17,947	75,359	558,605	608,807	172,327	781,134
Changes in fair value of leasehold properties upon transfer to investment properties	–	–	117,539	–	–	117,539	–	117,539
Deferred tax liability arising on revaluation	–	–	(38,785)	–	–	(38,785)	–	(38,785)
Surplus arising on revaluation of investment properties	–	–	42,680	–	–	42,680	–	42,680
Deferred tax liability arising on revaluation	–	–	(14,085)	–	–	(14,085)	–	(14,085)
Net income recognised directly in equity	–	–	107,349	–	–	107,349	–	107,349
Profit for the year	–	–	–	–	223,179	223,179	2,469	225,648
Total recognised income and expense for the year	–	–	107,349	–	223,179	330,528	2,469	332,997
Distributions to Xuhui SAAC	–	(442,209)	–	–	–	(442,209)	–	(442,209)
Transfers	–	–	–	16,080	(16,080)	–	–	–
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	2,281	2,281
Capital contributions from minority interests	–	–	–	–	–	–	26,080	26,080
Disposal of a subsidiary (note 34)	–	–	–	–	–	–	(14,700)	(14,700)
Dividends paid to minority interests	–	–	–	–	–	–	(6,195)	(6,195)
Dividends paid (note 15)	–	–	–	–	(12,328)	(12,328)	–	(12,328)
At 31st December 2004	180,800	(666,113)	125,296	91,439	753,376	484,798	182,262	667,060
Effect of changes in accounting policies	–	(323)	(46,542)	–	46,542	(323)	–	(323)
At 1st January 2005	180,800	(666,436)	78,754	91,439	799,918	484,475	182,262	666,737
Profit and recognised income and expense for the year	–	–	–	–	39,040	39,040	6,229	45,269
Deemed capital contribution on transfer of interests in an associate from Xuhui SAAC	–	244,280	–	–	–	244,280	–	244,280
Distributions to Xuhui SAAC	–	(199,170)	–	–	–	(199,170)	–	(199,170)
Transfers	–	–	–	37,988	(37,988)	–	–	–
Capital contributions from minority interests	–	–	–	–	–	–	50	50
Disposal of a subsidiary (note 34)	–	–	–	–	–	–	(1,490)	(1,490)

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

	Attributable to equity holders of the parent							
	Paid-in capital	Capital reserve	Properties revaluation reserve	Statutory reserves	Accumulated profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Partial disposal of interest in a subsidiary	-	-	-	-	-	-	7,498	7,498
Dividends paid to minority interests	-	-	-	-	-	-	(4,172)	(4,172)
Dividends paid (note 15)	-	-	-	-	(115,079)	(115,079)	-	(115,079)
At 31st December 2005	180,800	(621,326)	78,754	129,427	685,891	453,546	190,377	643,923
Changes in fair value of leasehold properties upon transfer to investment properties	-	-	6,003	-	-	6,003	-	6,003
Deferred tax liability arising on revaluation	-	-	(1,981)	-	-	(1,981)	-	(1,981)
Net income recognised directly in equity	-	-	4,022	-	-	4,022	-	4,022
Profit for the year	-	-	-	-	299,048	299,048	68,100	367,148
Total recognised income and expense for the year	-	-	4,022	-	299,048	303,070	68,100	371,170
Deemed capital contribution on transfer of assets/liabilities from Xuhui SAAC (note 35)	-	243,768	-	-	-	243,768	-	243,768
Distributions to Xuhui SAAC	-	(126,246)	-	-	-	(126,246)	-	(126,246)
Transfers	-	-	-	18,224	(18,224)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(46,631)	(46,631)
Acquisition of assets/liabilities (note 35)	-	-	-	-	-	-	336,523	336,523
Capital contributions from minority interests	-	-	-	-	-	-	88,406	88,406
Dividends paid to minority interests	-	-	-	-	-	-	(4,240)	(4,240)
Dividends paid (note 15)	-	-	-	-	(115,675)	(115,675)	-	(115,675)
At 31st December 2006	180,800	(503,804)	82,776	147,651	851,040	758,463	632,535	1,390,998
Profit (loss) and total recognised income and expense for the period	-	-	-	-	27,051	27,051	(4,286)	22,765
Effect of change in tax rate	-	-	9,884	-	-	9,884	-	9,884
Disposal of a subsidiary (note 34)	-	-	-	-	-	-	(27,654)	(27,654)
Dividends paid to minority interests	-	-	-	-	-	-	(4,250)	(4,250)
Injection of capital	120,530	2,010,131	-	-	-	2,130,661	-	2,130,661
Distribution to Xuhui SAAC	-	(2,066)	-	-	-	(2,066)	-	(2,066)
At 31st July 2007	301,330	1,504,261	92,660	147,651	878,091	2,923,993	596,345	3,520,338

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

	Attributable to equity holders of the parent						Minority interests RMB'000	Total RMB'000
	Paid-in capital RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Statutory reserves RMB'000	Accumulated profits RMB'000	Total RMB'000		
<b>Unaudited</b>								
At 1st January 2006	180,800	(621,326)	78,754	129,427	685,891	453,546	190,377	643,923
Changes in fair value of leasehold properties	–	–	6,003	–	–	6,003	–	6,003
Deferred tax liability arising on revaluation	–	–	(1,981)	–	–	(1,981)	–	(1,981)
Net income recognised directly in equity	–	–	4,022	–	–	4,022	–	4,022
Profit for the period	–	–	–	–	338,094	338,094	69,760	407,854
Total recognised income and expense for the period	–	–	4,022	–	338,094	342,116	69,760	411,876
Deemed capital contribution on transfer of assets/liabilities from Xuhui SAAC (note 35)	–	243,768	–	–	–	243,768	–	243,768
Distributions to Xuhui SAAC	–	(126,246)	–	–	–	(126,246)	–	(126,246)
Acquisition of assets/liabilities (note 35)	–	–	–	–	–	–	336,523	336,523
Capital contributions from minority interests	–	–	–	–	–	–	20,000	20,000
Dividends paid to minority interests	–	–	–	–	–	–	(4,240)	(4,240)
Dividends paid (note 15)	–	–	–	–	(50,000)	(50,000)	–	(50,000)
At 31st July 2006	180,800	(503,804)	82,776	129,427	973,985	863,184	612,420	1,475,604

As stipulated by the relevant laws and regulations in the PRC, Urban Development and its subsidiaries established in the PRC are required to maintain certain statutory funds which are non-distributable. Appropriations to these reserve funds are made out of net profit after taxation of the respective PRC companies with reference to the financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided annually by the board of directors of the respective PRC companies.

The capital reserve represents deemed capital contributions from, and distributions to Xuhui SAAC.

## CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31st December			Seven months ended 31st July	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
OPERATING ACTIVITIES					
Profit (loss) before taxation	380,576	63,854	789,938	840,978	(13,830)
Adjustments for:					
Impairment loss recognised in respect of trade and other receivables	17,501	–	6,424	6,412	–
Depreciation of property, plant and equipment	53,727	58,110	57,246	31,239	36,111
Dividend income	(1,496)	(1,440)	(4,936)	(4,420)	(12,448)
Finance costs	20,880	27,074	52,658	19,850	26,383
Net (increase) decrease in fair value of other investments/ investments held-for-trading	(12,020)	(2,469)	(6,016)	1,300	(7,002)
Loss (gain) on disposal of investment securities/ available-for-sale investments	2,100	(1,440)	(1,094)	–	(3,551)
(Gain) loss on disposal of interests in associates	–	–	(3,966)	(3,700)	418
Gain on disposal of interests in subsidiaries	(34,700)	–	(7,555)	(7,555)	(2,447)
Increase in fair value of investment properties	–	(6,290)	(14,900)	(6,100)	(42,190)
Interest income	(7,393)	(8,205)	(14,361)	(10,820)	(5,878)
Amortisation of financial guarantee contracts	–	(2,219)	(5,735)	(4,704)	(8,754)
Loss (gain) on disposal of property, plant and equipment	4,429	(13,452)	5,776	4,268	24
Loss on partial disposal of interests in subsidiaries	393	2,784	–	–	–
Release of prepaid lease payments	135	135	135	79	79
Share of results of associates	(10,648)	(3,635)	(5,537)	(2,556)	(4,900)

**APPENDIX II****FINANCIAL INFORMATION ON  
SHANGHAI URBAN DEVELOPMENT**

	Year ended 31st December			Seven months ended 31st July	
	2004	2005	2006	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Operating cash flows before movements in working capital	413,484	112,807	848,077	864,271	(37,985)
(Increase) decrease in inventories	(274,823)	(229,099)	509,451	914,461	(360,539)
Decrease (increase) in other investments/investments held-for-trading	10,587	10,948	(398)	(47,874)	(24,161)
Decrease (increase) in trade and other receivables	11,775	160,787	(45,028)	(240,392)	(66,245)
Increase (decrease) in trade and other payables	<u>6,126</u>	<u>400,095</u>	<u>(1,340,945)</u>	<u>(1,176,204)</u>	<u>954,231</u>
Cash generated from (used in) operations	167,149	455,538	(28,843)	314,262	465,301
PRC Enterprise Income Tax paid	<u>(71,491)</u>	<u>(64,561)</u>	<u>(75,699)</u>	<u>(54,925)</u>	<u>(68,301)</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>95,658</u>	<u>390,977</u>	<u>(104,542)</u>	<u>259,337</u>	<u>397,000</u>

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

		Year ended 31st December			Seven months ended 31st July	
		2004	2005	2006	2006	2007
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(59,408)	(60,103)	(78,803)	(47,205)	(37,249)
Advance to minority shareholders of subsidiaries		(58,652)	(194,563)	(133,243)	(41,898)	(572,178)
Acquisition of associates		(53,890)	(20,909)	–	–	–
(Advance to) repayment from associates		(3,349)	162	3,596	(9,404)	–
Purchase of investment securities/available-for-sale investments		(2,675)	(2,499)	(250)	(50)	–
Increase in restricted bank deposits		(455)	(458)	(460)	(229)	(231)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	34	39,245	1,704	2,276	2,276	(2,033)
Dividends received from associates		11,120	5,460	1,470	–	4,900
Interest received		7,393	8,205	14,361	10,820	5,878
Proceeds from disposal of investment securities/available-for-sale investments		3,342	7,477	3,379	2,000	5,167
Proceeds from partial disposal of interests in subsidiaries		1,888	4,714	–	–	–
Dividend received from investments		1,496	1,440	4,936	4,420	12,448
Proceeds from disposal of property, plant and equipment		369	21,155	270	239	1,446
Deposits paid for acquisition of property, plant and equipment		–	(8,460)	–	–	–
Addition of loan receivables		–	–	(74,400)	(52,567)	(1,860)
Acquisition of additional interest in a subsidiary		–	–	(46,631)	–	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	–	–	(2,145)	(2,145)	–
Proceeds from disposal of interests in associates		–	–	74,111	33,699	44,991
Repayment of loan receivables		–	–	–	–	44,400
NET CASH USED IN INVESTING ACTIVITIES		(113,576)	(236,675)	(231,533)	(100,044)	(494,321)

**APPENDIX II**
**FINANCIAL INFORMATION ON  
SHANGHAI URBAN DEVELOPMENT**

	Year ended 31st December			Seven months ended 31st July	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
FINANCING ACTIVITIES					
Repayment of bank loans	(1,053,680)	(1,380,500)	(1,900,000)	(626,000)	(2,458,000)
(Distributions to) contribution from Xuhui SAAC	(442,209)	(194,109)	(121,832)	(121,890)	7,730
Interest paid	(70,521)	(104,636)	(179,358)	(84,237)	(91,684)
Dividends paid	(12,328)	(115,079)	(115,675)	(50,000)	–
Dividends paid to minority interests	(6,195)	(4,172)	(4,240)	(4,240)	(4,250)
(Repayment to) advance from associates	(2,889)	7,994	3,807	3,806	(49,351)
New bank loans raised	1,321,200	2,294,500	2,105,500	897,500	2,785,500
Advance from (repayment to) minority shareholders of subsidiaries	109,402	4,714	(406,826)	(398,680)	(3,027)
Loan from a related party	36,000	464,000	130,000	–	7,500
Capital contributions from minority interests	26,080	50	88,406	20,000	–
Advance from Xuhui SAAC	–	–	234,600	–	17,000
Proceeds on capital injection	–	–	–	–	2,130,661
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(95,140)</u>	<u>972,762</u>	<u>(165,618)</u>	<u>(363,741)</u>	<u>2,342,079</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(113,058)	1,127,064	(501,693)	(204,448)	2,244,758
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>406,971</u>	<u>293,913</u>	<u>1,420,977</u>	<u>1,420,977</u>	<u>919,284</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	<u>293,913</u>	<u>1,420,977</u>	<u>919,284</u>	<u>1,216,529</u>	<u>3,164,042</u>



## NOTES TO THE FINANCIAL INFORMATION

## 1. GENERAL

Urban Development is a state-owned enterprise established in the PRC on 30th April 1996.

The Urban Development Group's principal operations are conducted in the PRC. Accordingly, the Urban Development Group's consolidated financial statements have been prepared in Renminbi which also represents the functional currency of Urban Development.

The principal activities of Urban Development are investment holding and property development. The principal activities of its subsidiaries are property development business and supermarket business.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

**Hong Kong Financial Reporting Standards effective for accounting periods beginning on or after 1st January 2005**

In 2005, the Urban Development Group and Urban Development have applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the accounting policies of the Urban Development Group and Urban Development in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

## (i) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The adoption of HKAS 32 has had no material impact on how financial instruments of the Urban Development Group and Urban Development are presented for 2005 and prior accounting periods. The principal effects on the Urban Development Group as a result of implementation of HKAS 39 are summarised below:

*Classification and measurement of financial assets and financial liabilities*

The Urban Development Group and Urban Development has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

*Financial assets previously within the scope of Statement of Standard Accounting Practice No. 24 "Accounting for Investments in Securities" ("SSAP 24") issued by the HKICPA*

On or before 31st December 2004, the Urban Development Group and Urban Development classified and measured its investments in equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, investments in equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1st January 2005 onwards, the Urban Development Group and Urban Development has classified and measured

its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

On 1st January 2005, the Urban Development Group and Urban Development classified and measured its investments in equity securities in accordance with the transitional provisions of HKAS 39. Investment securities with a carrying amount of approximately RMB9.6 million for the Urban Development Group and RMB9.0 million for Urban Development, of which fair value cannot be measured reliably and was stated at cost less impairment loss at subsequent balance sheet dates, was reclassified to available-for-sale investments. In addition, other investments with a carrying amount of approximately RMB9.3 million for the Urban Development Group and RMB9.2 million for Urban Development was reclassified to investments held-for-trading on 1st January 2005.

*Financial assets and financial liabilities other than equity securities*

From 1st January 2005 onwards, the Urban Development Group and Urban Development have classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “other financial liabilities”. “Financial liabilities at fair value through profit or loss” are measured at fair value, with changes in fair value being recognised in profit or loss directly. “Other financial liabilities” are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on the Urban Development Group and Urban Development’s accumulated profits.

**(ii) Owner-occupied leasehold interest in land**

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost less depreciation and amortisation at the balance sheet date and any accumulated impairment losses. In 2005, the Urban Development Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.

**(iii) Investment properties**

In previous years, investment properties of the Urban Development Group and Urban Development under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment properties revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In 2005, the Urban Development Group and Urban Development have, for the first time, applied HKAS 40 “Investment Property”. The Urban Development Group and Urban Development have elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the year in which they arise. The Urban Development Group and Urban Development have also applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards. The amount held in investment properties revaluation reserve at 1st January 2005 has been transferred to the accumulated profits of the Urban Development Group and Urban Development respectively as at that date and the financial impact on the Urban Development Group and Urban Development is set out in note 3.

*Deferred taxes related to investment properties*

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In 2005, the Urban Development Group and Urban Development have applied HK(SIC) Interpretation 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Urban Development Group and Urban Development expect to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively.

**Hong Kong Financial Reporting Standards effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006**

In 2006, the Urban Development Group and Urban Development have applied, for the first time, a number of new HKFRSs issued by the HKICPA which are either effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006. The adoption of the new HKFRSs has resulted in changes to the Urban Development Group’s and Urban Development’s accounting policies in the following area that has an effect on how the results and financial position for the current or prior accounting periods have been prepared and presented:

**Financial guarantee contracts**

In 2006, the Urban Development Group and Urban Development have applied HKAS 39 and HKFRS 4 (Amendments) “Financial Guarantee Contracts” which is effective for annual periods beginning on or after 1st January 2006.

A financial guarantee contract is defined by HKAS 39 as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

Prior to 1st January 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 “Insurance Contract” and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Urban Development Group and Urban Development and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Urban Development Group and Urban Development measure the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation

recognised in accordance with HKAS 18 “Revenue”. This amendment has been applied retrospectively to the financial year beginning on 1st January 2005 in which HKAS 39 is effective for the Urban Development Group. The financial impact on the Urban Development Group and Urban Development is set out in note 3.

**Hong Kong Financial Reporting Standards effective for accounting periods beginning on or after 1st January 2007**

In 2007, the Urban Development Group and Urban Development have applied, for the first time, a number of new HKFRSs issued by the HKICPA, which are effective for the Urban Development Group and Urban Development’s financial year beginning 1st January 2007.

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

The Urban Development Group and Urban Development have not early applied the following standards or interpretations that have been issued but are not yet effective. The directors of Urban Development anticipate that the application of these standards or interpretations will have no material impact on the results or the financial position of the Urban Development Group and Urban Development for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – INT 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1st January 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July 2008

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### 3. SUMMARY OF THE EFFECTS OF THE ADOPTION OF HKAS 39 AND HKAS 40

For the transitional provision under HKAS 39 and HKAS 40, adopted by the Urban Development Group, the effects of the changes in the accounting policies described in note 2 above which are prospectively applied for the financial year beginning on 1st January 2005 are as follows:

URBAN DEVELOPMENT GROUP					
	As at 31.12.2004 RMB'000	Effect of HKAS 39 RMB'000	Effects of HKAS 40 RMB'000	Effects of HKAS 39 and HKFRS 4 (Amendments) RMB'000	As at 1.1.2005 RMB'000
Available-for-sale investments	–	9,646	–	–	9,646
Investment securities	9,646	(9,646)	–	–	–
Investments held-for-trading	–	9,326	–	–	9,326
Other investments	9,326	(9,326)	–	–	–
Financial guarantee contracts	–	–	–	(323)	(323)
Other assets and liabilities	648,088	–	–	–	648,088
Total effects on assets and liabilities	667,060	–	–	(323)	666,737
Properties revaluation reserve	125,296	–	(46,542)	–	78,754
Accumulated profits	753,376	–	46,542	–	799,918
Capital reserve	(666,113)	–	–	(323)	(666,436)
Capital and other reserves	454,501	–	–	–	454,501
Total effects on equity	667,060	–	–	(323)	666,737

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

	URBAN DEVELOPMENT				
	As at 31.12.2004 RMB'000	Effect of HKAS 39 RMB'000	Effects of HKAS 40 RMB'000	Effects of HKAS 39 and HKFRS 4 (Amendments) RMB'000	As at 1.1.2005 RMB'000
Available-for-sale investments	–	8,996	–	–	8,996
Investment securities	8,996	(8,996)	–	–	–
Investments held-for-trading	–	9,239	–	–	9,239
Other investments	9,239	(9,239)	–	–	–
Financial guarantee contracts	–	–	–	(323)	(323)
Other assets and liabilities	463,152	–	–	–	463,152
Total effects on assets and liabilities	481,387	–	–	(323)	481,064
Properties revaluation reserve	125,296	–	(46,542)	–	78,754
Accumulated profits	774,830	–	46,542	–	821,372
Capital reserve	(663,352)	–	–	(323)	(663,675)
Capital and other reserves	244,613	–	–	–	244,613
Total effects on equity	481,387	–	–	(323)	481,064

#### 4. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

##### Basis of consolidation

The Financial Information incorporate the financial statements of Urban Development and its subsidiaries. Control is achieved where Urban Development has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

**Acquisition of additional interest in subsidiaries**

Additional interests in subsidiaries are measured at the aggregate of the carrying amounts of identifiable assets and liabilities of the subsidiaries and any excess of the consideration over the net assets acquired are accounted for as goodwill.

**Transfer of assets and liabilities from parent**

The assets and liabilities transferred from parent are accounted for using the carrying amounts of the relevant assets and liabilities at the book of parent.

Excess of the carrying amount of assets and liabilities over the consideration paid (if any) is accounted for as deemed capital contribution from parent.

**Investments in subsidiaries**

Investments in subsidiaries is included in the balance sheet of Urban Development at cost less any identified impairment loss.

**Interests in associates**

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

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

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

**Revenue recognition**

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

Income from properties developed for sales is recognised upon the execution of a binding sale agreement, the issue of an occupation permit and a completion certificate by the relevant government authorities and fulfilling the terms of the binding sale agreements. Payments received from the purchasers prior to this stage are recorded as pre-sale deposits and presented as current liabilities.

Income from suppliers, comprising promotion and store display income, and merchandise storage and delivery income, is recognised according to the underlying contract terms and as these services are provided in accordance therewith.

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

Service incomes and agency fee income are recognised when services are provided.

Rental income, including rental invoiced in advance from letting of properties under operating leases, is recognised on a straight line basis over the period of the respective leases.

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

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

### **Investment properties**

Prior to 1st January 2005, investment properties are stated at their open market value based on independent professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the properties revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the properties revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of an investment property, the balance on the properties revaluation reserve attributable to that property is credited to the income statement.

On adoption of HKAS 40 as mentioned in note 2 above, on initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

### **Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

Property, plant and equipment in the course of construction are carried at cost, less any identified impairment losses. Depreciation of these assets commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).



On transfer of leasehold properties to investment properties, the difference between the fair value and carrying value at date of transfer was credited to the properties revaluation reserve. On the disposal or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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

**Prepaid lease payments**

Prepaid lease payments, which represents up-front payments to acquire leasehold land interest, are stated at cost and amortised over the period of the lease on a straight line basis.

**Leasing**

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

*The Urban Development Group as lessor*

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

*The Urban Development Group as lessee*

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

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

**Borrowing costs**

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

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

**Retirement benefits costs**

Payments made to state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

**Taxation**

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

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

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

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

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

**Inventories***Properties held for resale and properties under development held for resale*

Properties held for resale and properties under development held for resale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

*Others – finished goods*

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

**Financial instruments**

Prior to 1st January 2005, investment securities and other investments are recognised on a trade-date basis and are initially measured at cost. Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary. Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

On adoption of HKAS 39 as mentioned in note 2 above, financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of an instrument. Financial assets and financial liabilities are initially measured at fair

value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

The financial assets of the Urban Development Group and Urban Development are classified as investments held-for-trading, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below:

##### *Investments held-for-trading*

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

##### *Loans and receivables*

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

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Urban Development Group designated those unlisted equity instruments which are not held for trading purpose as available-for-sale financial assets. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the

carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in profit or loss in subsequent periods.

***Financial liabilities and equity***

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of the financial liabilities and equity instruments of the Urban Development Group are set out below.

***Financial liabilities***

Financial liabilities including trade and other payables, amount due to Xuhui SAAC, amounts due to minority shareholders of subsidiaries/associates/subsidiaries, loan from a related party and bank loans are subsequently measured at amortised cost, using the effective interest rate method.

***Equity instruments***

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

***Financial guarantee contracts***

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

***Derecognition***

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

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

***Impairment losses***

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

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

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Urban Development Group and Urban Development make estimates and assumptions concerning the future. 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:

### **Allowance for properties under development and properties held for resale**

Management regularly reviews the recoverability of the Urban Development Group and Urban Development's properties under development and properties held for resale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate allowance for properties under development and properties held for resale is made if the estimated recoverable amount is lower than its carrying amount. As at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007, the carrying amount of properties under development and properties held for resale for the Urban Development Group is RMB4,109,881,000, RMB4,376,981,000, RMB5,223,601,000 and RMB5,365,457,000 respectively. As at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007, the carrying amount of properties under development and properties held for resale for Urban Development is RMB1,076,937,000, RMB967,034,000, RMB389,810,000 and RMB471,222,000 respectively.

During the Relevant Periods, no allowance had been made for properties under development and properties held for resale.

### **Estimated impairment on trade and other receivables/loan receivables/amounts due from minority shareholders of subsidiaries, associates and subsidiaries**

Management regularly reviews the recoverability and age of the receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in profit and loss when there is objective evidence that the asset is impaired. As at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007, the carrying value of trade and other receivables/loan receivables/amounts due from minority shareholders of subsidiaries and associates for the Urban Development Group is RMB639,896,000, RMB670,290,000, RMB915,250,000 and RMB1,484,837,000 respectively. As at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007, trade and other receivables/loan receivables/amounts due from minority shareholders of subsidiaries and subsidiaries for Urban Development is RMB852,930,000, RMB1,360,164,000, RMB893,671,000 and RMB1,238,812,000 respectively.

In determining whether impairment on trade and other receivables/loan receivables/amounts due from minority shareholders of subsidiaries, associates and subsidiaries is required, the Urban Development Group and Urban Development take into consideration the likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and its carrying value.

During the year ended 31st December 2004 and the year ended 31st December 2006, the Urban Development Group recognised the impairment loss of RMB17,501,000 and RMB6,424,000 respectively.

**6. FINANCIAL INSTRUMENTS****(a) Financial risk management objectives and policies**

The Urban Development Group's major financial instruments include equity investments, bank loans, trade and other receivables, loan receivables, trade and other payables, amounts due from/to minority shareholders of subsidiaries/ associates, amount due to Xuhui SAAC, loan from a related party, restricted bank deposits and bank balances. The Urban Development's major financial instruments include equity investments, bank loans, trade and other receivables, loan receivables, trade and other payables, amounts due from/to minority shareholders of subsidiaries/associates/ subsidiaries, amount due to Xuhui SAAC, loan from a related party and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*(i) Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 4.

*(ii) Capital risk management*

The Urban Development Group and Urban Development manage its capital to ensure that each of the entity comprising the Urban Development Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Urban Development Group consists of debts, which includes bank loans as disclosed in note 31 and cash and cash equivalents and equity attributable to equity holders of Urban Development, comprising paid-in capital, reserves and accumulated profits as disclosed in the consolidated statements of changes in equity.

Management of the Urban Development Group reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Urban Development Group and Urban Development will balance its overall capital structure through the payment of dividends, increase in paid-in capital as well as the issue of new debt. The Urban Development Group and Urban Development's overall strategy remain unchanged throughout the Relevant Periods.

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### (iii) Categories of financial instruments

	URBAN DEVELOPMENT GROUP			URBAN DEVELOPMENT		
	As at 31st December		As at	As at 31st December		As at
	2005	2006	31st July	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>						
Loans and receivables (including cash and cash equivalents)	2,122,104	1,850,566	4,694,941	1,642,612	1,174,978	3,473,847
Held for trading financial assets	847	7,261	38,424	782	733	2,298
Available-for-sale financial assets	6,108	4,073	46,382	5,458	3,173	45,582
<b>Financial liabilities</b>						
Amortised cost	4,868,785	5,139,051	5,363,743	2,474,146	2,740,117	3,258,895
Financial guarantee contracts	3,165	1,844	2,886	3,165	1,844	2,886

### (iv) Market risk management

The Urban Development Group's market risk exposure is mainly from the interest rate risk and the other market risks are considered insignificant to the Urban Development Group.

#### Interest rate risk management

The Urban Development Group and Urban Development's fair value interest rate risk relates primarily to fixed-rate bank loans, loan receivables and bank deposits. The Urban Development Group and Urban Development's bank deposits and bank balances also have exposure to cash flow interest rate due to the fluctuation of the prevailing market interest rate on bank balances.

The Urban Development Group and Urban Development currently do not have a hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate change exposure should the need arise.

No sensitivity analysis is presented since the interest rate risk is primarily arising from fixed-rate interest bearing financial instruments.

### (v) Credit risk management

As at 31st July, 2007, the Urban Development Group and Urban Development's maximum exposure to credit risk which will cause a financial loss to the Urban Development Group and Urban Development due to failure to discharge an obligation by the counterparties or debtors which the Urban Development Group and Urban Development have provided financial guarantees is arising from:

- the carrying amount of the respective recognised financial assets as stated in the balance sheet; and
- the amount disclosed in note 40 Contingent Liabilities.

In order to minimise the credit risk, management of the Urban Development Group and Urban Development is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Urban Development Group and Urban Development review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate

impairment losses are made for irrecoverable amounts. In this regard, the directors of Urban Development consider that the Urban Development Group and Urban Development's credit risk is significantly reduced.

With respect of credit risk arising from other debtors of the Urban Development Group and Urban Development, the Urban Development Group and Urban Development's exposure to credit risk arising from default of counterparties is limited as the counterparties have good credit standing and the Urban Development Group and Urban Development do not expect any significant loss for uncollected advances from these entities.

The credit risk on restricted bank deposits and bank balances is limited because the counterparties are banks with good reputation.

The Urban Development Group has no significant concentration of credit risk, with exposure spread over a number of counterparties, except for amounts due from minority shareholders of subsidiaries amounting to RMB100,742,000, RMB295,305,000, RMB428,548,000 and RMB1,000,726,000 at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007 respectively and advance to a former shareholder of a subsidiary amounting to RMB270,630,000 at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007.

In addition, Urban Development also has no significant concentration of credit risk, with exposure spread over a number of counterparties, except for amounts due from minority shareholders of subsidiaries amounting to RMB6,120,000, RMB165,120,000, RMB94,124,000 and RMB618,213,000 at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007 respectively and amounts due from subsidiaries amounting to RMB780,334,000, RMB1,167,373,000, RMB707,746,000 and RMB579,404,000 at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007 respectively.

The Urban Development Group and Urban Development review the recoverable amounts of these amounts on regular basis and an allowance for doubtful debt is made where there is an identified loss.

With respect of credit risk arising from financial guarantee contracts extended to minority shareholders of subsidiaries and an associate, management will regularly review their financial performance and reassess the continuance of such guarantees. In this regard, the directors of Urban Development consider that the Urban Development Group and Urban Development's credit risk is significantly reduced.

(vi) *Liquidity risk management*

The Urban Development Group and Urban Development manage liquidity risk by maintaining adequate reserves and banking facilities.

The Urban Development Group and Urban Development's liquidity position is monitored closely by management of Urban Development. The following table details the Urban Development Group and Urban Development's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Urban Development Group and



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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

Urban Development can be required to pay. The table includes both interest and principal cash flows.

	URBAN DEVELOPMENT GROUP						
	0-60 days	61-180 days	181-365 days	1-2 years	Over 2 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31st December 2005</b>							
Non-interest bearing	361,502	26,778	816,684	886,821	–	2,091,785	2,091,785
Fixed interest rate instruments	51,620	333,952	563,604	1,346,725	722,878	3,018,779	2,777,000
	<u>413,122</u>	<u>360,730</u>	<u>1,380,288</u>	<u>2,233,546</u>	<u>722,878</u>	<u>5,110,564</u>	<u>4,868,785</u>
<b>As at 31st December 2006</b>							
Non-interest bearing	339,907	84,597	1,184,243	367,804	–	1,976,551	1,976,551
Fixed interest rate instruments	162,331	415,921	1,560,677	859,767	391,628	3,390,324	3,162,500
	<u>502,238</u>	<u>500,518</u>	<u>2,744,920</u>	<u>1,227,571</u>	<u>391,628</u>	<u>5,366,875</u>	<u>5,139,051</u>
<b>As at 31st July 2007</b>							
Non-interest bearing	559,298	600,165	469,169	287,611	–	1,916,243	1,916,243
Fixed interest rate instruments	189,438	327,551	1,721,161	723,717	735,347	3,697,214	3,447,500
	<u>748,736</u>	<u>927,716</u>	<u>2,190,330</u>	<u>1,011,328</u>	<u>735,347</u>	<u>5,613,457</u>	<u>5,363,743</u>
	URBAN DEVELOPMENT						
	0-60 days	61-180 days	181-365 days	1-2 years	Over 2 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31st December 2005</b>							
Non-interest bearing	53,734	142	286,798	1,080,472	–	1,421,146	1,421,146
Fixed interest rate instruments	51,620	232,019	183,053	159,462	516,740	1,142,894	1,053,000
	<u>105,354</u>	<u>232,161</u>	<u>469,851</u>	<u>1,239,934</u>	<u>516,740</u>	<u>2,564,040</u>	<u>2,474,146</u>
<b>As at 31st December 2006</b>							
Non-interest bearing	9,829	–	905,010	542,778	–	1,457,617	1,457,617
Fixed interest rate instruments	111,913	310,136	306,668	630,391	–	1,359,108	1,282,500
	<u>121,742</u>	<u>310,136</u>	<u>1,211,678</u>	<u>1,173,169</u>	<u>–</u>	<u>2,816,725</u>	<u>2,740,117</u>
<b>As at 31st July 2007</b>							
Non-interest bearing	46,882	597,958	150,645	1,025,910	–	1,821,395	1,821,395
Fixed interest rate instruments	169,038	207,640	455,010	674,604	–	1,506,292	1,437,500
	<u>215,920</u>	<u>805,598</u>	<u>605,655</u>	<u>1,700,514</u>	<u>–</u>	<u>3,327,687</u>	<u>3,258,895</u>

**(b) Fair value**

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of financial guarantee contracts are determined with reference to default risks of companies with various credit ratings; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

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

**7. TURNOVER**

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	Year ended 31st December			Seven months ended	
	2004	2005	2006	31st July 2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Property development business	1,150,358	480,794	2,216,607	2,185,207	37,238
Income from supermarket business	1,455,503	1,501,586	1,935,597	1,128,435	1,184,474
Others	101,891	63,448	32,891	30,402	502
	<u>2,707,752</u>	<u>2,045,828</u>	<u>4,185,095</u>	<u>3,344,044</u>	<u>1,222,214</u>

**8. BUSINESS AND GEOGRAPHICAL SEGMENTS****Business segments**

For management purposes, the Urban Development Group is currently organised into two operating divisions – property development business and supermarket business. These divisions are the basis on which the Urban Development Group reports its primary segment information.

**APPENDIX II****FINANCIAL INFORMATION ON  
SHANGHAI URBAN DEVELOPMENT****For the year ended 31st December 2004**

	<b>Property development RMB'000</b>	<b>Supermarket RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>TURNOVER</b>				
External sales	<u>1,150,358</u>	<u>1,455,503</u>	<u>101,891</u>	<u>2,707,752</u>
<b>RESULTS</b>				
Segment results	<u>286,922</u>	<u>49,326</u>	<u>252</u>	336,500
Unallocated corporate income				20,001
Finance costs				(20,880)
Gain on disposal of interest in a subsidiary	34,700	–	–	34,700
Loss on partial disposal of interests in subsidiaries	(393)	–	–	(393)
Share of results of associates	13,198	(2,550)	–	<u>10,648</u>
Profit before taxation				380,576
Income tax expense				<u>(154,928)</u>
Profit for the year				<u>225,648</u>
	<b>Property development RMB'000</b>	<b>Supermarket RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>ASSETS</b>				
Segment assets	4,947,958	433,524	59,533	5,441,015
Interests in associates	194,283	–	–	194,283
Amounts due from associates				19,058
Unallocated corporate assets				<u>513,367</u>
Total assets				<u>6,167,723</u>
<b>LIABILITIES</b>				
Segment liabilities	2,520,021	359,639	16,006	2,895,666
Amounts due to associates				88,253
Unallocated corporate liabilities				<u>2,516,744</u>
Total liabilities				<u>5,500,663</u>
<b>OTHER INFORMATION</b>				
Impairment loss recognised in respect of trade and other receivables	17,501	–	–	17,501
Capital expenditure	4,725	53,539	1,144	59,408
Depreciation of property, plant and equipment	11,552	41,788	387	53,727
Loss on disposal of property, plant and equipment	131	4,211	87	4,429
Release of prepaid lease payments	<u>–</u>	<u>–</u>	<u>135</u>	<u>135</u>

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

For the year ended 31st December 2005

	Property development <i>RMB'000</i>	Supermarket <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>TURNOVER</b>				
External sales	<u>480,794</u>	<u>1,501,586</u>	<u>63,448</u>	<u>2,045,828</u>
<b>RESULTS</b>				
Segment results	<u>35,880</u>	<u>42,903</u>	<u>(4,479)</u>	74,304
Unallocated corporate income				15,773
Finance costs				(27,074)
Loss on partial disposal of interests in subsidiaries	(2,784)	–	–	(2,784)
Share of results of associates	3,635	–	–	<u>3,635</u>
Profit before taxation				63,854
Income tax expense				<u>(18,585)</u>
Profit for the year				<u>45,269</u>
	Property development <i>RMB'000</i>	Supermarket <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>ASSETS</b>				
Segment assets	5,074,430	477,682	40,462	5,592,574
Interests in associates	457,647	–	–	457,647
Amounts due from associates				18,896
Unallocated corporate assets				<u>1,835,744</u>
Total assets				<u>7,904,861</u>
<b>LIABILITIES</b>				
Segment liabilities	2,930,171	400,102	13,067	3,343,340
Amounts due to associates				96,247
Unallocated corporate liabilities				<u>3,821,351</u>
Total liabilities				<u>7,260,938</u>
<b>OTHER INFORMATION</b>				
Capital expenditure	3,641	55,832	630	60,103
Depreciation of property, plant and equipment	11,811	45,686	613	58,110
Release of prepaid lease payments	<u>–</u>	<u>–</u>	<u>135</u>	<u>135</u>

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

For the year ended 31st December 2006

	Property development RMB'000	Supermarket RMB'000	Others RMB'000	Total RMB'000
<b>TURNOVER</b>				
External sales	<u>2,216,607</u>	<u>1,935,597</u>	<u>32,891</u>	<u>4,185,095</u>
<b>RESULTS</b>				
Segment results	<u>799,194</u>	<u>6,622</u>	<u>(6,417)</u>	799,399
Unallocated corporate income				26,139
Finance costs				(52,658)
Gain on disposal of interests in subsidiaries	6,462	1,093	–	7,555
Gain on disposal of interests in associates	3,966	–	–	3,966
Share of results of associates	4,022	1,515	–	<u>5,537</u>
Profit before taxation				789,938
Income tax expense				<u>(422,790)</u>
Profit for the year				<u>367,148</u>
	Property development RMB'000	Supermarket RMB'000	Others RMB'000	Total RMB'000
<b>ASSETS</b>				
Segment assets	6,005,613	500,427	15,167	6,521,207
Interests in associates	125,374	1,515	–	126,889
Amounts due from associates				15,300
Unallocated corporate assets				<u>1,529,943</u>
Total assets				<u>8,193,339</u>
<b>LIABILITIES</b>				
Segment liabilities	1,729,876	451,931	6,513	2,188,320
Amounts due to associates				100,054
Unallocated corporate liabilities				<u>4,513,967</u>
Total liabilities				<u>6,802,341</u>
<b>OTHER INFORMATION</b>				
Allowance on trade and other receivables	6,424	–	–	6,424
Capital expenditure	18,770	68,493	–	87,263
Depreciation of property, plant and equipment	14,313	42,675	258	57,246
Loss (gain) on disposal of property, plant and equipment	299	5,490	(13)	5,776
Release of prepaid lease payments	<u>–</u>	<u>–</u>	<u>135</u>	<u>135</u>

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

For the seven months ended 31st July 2007

	Property development RMB'000	Supermarket RMB'000	Others RMB'000	Total RMB'000
<b>TURNOVER</b>				
External sales	<u>37,238</u>	<u>1,184,474</u>	<u>502</u>	<u>1,222,214</u>
<b>RESULTS</b>				
Segment results	<u>(35,277)</u>	<u>7,879</u>	<u>(1,636)</u>	(29,034)
Unallocated corporate income				34,658
Finance costs				(26,383)
Gain on disposal of interests in subsidiaries	2,447	–	–	2,447
Loss on disposal of interests in associates	(418)	–	–	(418)
Share of results of associates	3,280	1,620	–	<u>4,900</u>
Loss before taxation				(13,830)
Income tax expense				<u>36,595</u>
Profit for the period				<u><u>22,765</u></u>
	Property development RMB'000	Supermarket RMB'000	Others RMB'000	Total RMB'000
<b>ASSETS</b>				
Segment assets	6,255,536	457,756	36,197	6,749,489
Interests in associates	78,345	3,135	–	81,480
Amounts due from associates				15,300
Unallocated corporate assets				<u>4,426,914</u>
Total assets				<u><u>11,273,183</u></u>
<b>LIABILITIES</b>				
Segment liabilities	2,528,706	585,491	5,520	3,119,717
Amounts due to associates				50,703
Unallocated corporate liabilities				<u>4,582,425</u>
Total liabilities				<u><u>7,752,845</u></u>
<b>OTHER INFORMATION</b>				
Capital expenditure	3,587	33,662	–	37,249
Depreciation of property, plant and equipment	6,121	29,869	121	36,111
Loss on disposal of property, plant and equipment	24	–	–	24
Release of prepaid lease payments	<u>–</u>	<u>–</u>	<u>79</u>	<u>79</u>

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

For the seven months ended 31st July 2006 (unaudited)

	Property development <i>RMB'000</i>	Supermarket <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>TURNOVER</b>				
External sales	<u>2,185,207</u>	<u>1,128,435</u>	<u>30,402</u>	<u>3,344,044</u>
<b>RESULTS</b>				
Segment results	<u>828,379</u>	<u>10,536</u>	<u>(5,867)</u>	833,048
Unallocated corporate income				13,969
Finance costs				(19,850)
Gain on disposal of interests in subsidiaries	6,462	1,093	–	7,555
Gain on disposal of interests in associates	3,700	–	–	3,700
Share of results of associates	1,751	805	–	<u>2,556</u>
Profit before taxation				840,978
Income tax expense				<u>(433,124)</u>
Profit for the period				<u>407,854</u>

	Property development <i>RMB'000</i>	Supermarket <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>OTHER INFORMATION</b>				
Allowance on trade and other receivables	6,412	–	–	6,412
Capital expenditure	7,710	47,854	–	55,564
Depreciation of property, plant and equipment	7,440	23,649	150	31,239
Loss on disposal of property, plant and equipment	–	4,268	–	4,268
Release of prepaid lease payments	<u>–</u>	<u>–</u>	<u>79</u>	<u>79</u>

### Geographical segments

During the Relevant Periods, all operations and assets of the Urban Development Group are located in the PRC. Accordingly, no geographical segment is presented.

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### 9. OTHER INCOME

	Year ended 31st December			Seven months ended 31st July	
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2006 RMB'000 (Unaudited)	2007 RMB'000
Income from suppliers					
– promotion and store display income	90,449	105,540	146,762	63,876	62,378
– merchandise storage and delivery income	43,585	70,677	46,112	27,069	11,848
Compensation income	992	4,453	1,664	463	4,608
Dividend income from investments	1,496	1,440	4,936	4,420	12,448
Net increase in fair value of other investments/ investments held-for-trading	12,020	2,469	6,016	28	7,002
Gain on disposal of available-for-sale investments	–	1,440	1,094	–	3,551
Gain on disposal of property, plant and equipment	–	13,452	–	–	–
Increase in fair value of investment properties	–	6,290	14,900	6,100	42,190
Amortisation of financial guarantee contracts	–	2,219	5,735	4,704	8,754
Bank interest income	3,908	4,757	8,349	6,262	3,803
Other interest income	3,485	3,448	6,012	4,558	2,075
Agency fee income from an associate	6,334	–	–	–	–
Rental income	1,032	1,357	7,368	4,336	11,752
Sales of scrap materials	2,125	2,305	1,937	1,206	829
Others	7,587	7,568	7,324	3,209	11,614
	<u>173,013</u>	<u>227,415</u>	<u>258,209</u>	<u>126,231</u>	<u>182,852</u>



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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### 10. FINANCE COSTS

	Year ended 31st December			Seven months ended 31st July	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on:					
Loan from a related party	702	6,719	32,594	12,871	18,919
Bank loans wholly repayable within five years	69,819	97,917	146,764	71,366	72,765
Less: Interest capitalised in properties under development held for resale	(49,641)	(77,562)	(126,700)	(64,387)	(65,301)
	<u>20,880</u>	<u>27,074</u>	<u>52,658</u>	<u>19,850</u>	<u>26,383</u>

### 11. INCOME TAX EXPENSE

	Year ended 31st December			Seven months ended 31st July	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Tax charge (credit) represents:					
PRC Enterprise Income Tax (Over)/underprovision in prior years	113,058	24,245	246,596	257,360	5,271
Land Appreciation Tax	(2,051)	4,807	(1,006)	(47)	(1,730)
Deferred taxation ( <i>note 25</i> )	47,605	487	167,534	163,028	7,600
	(3,684)	(10,954)	9,666	12,783	(47,736)
	<u>154,928</u>	<u>18,585</u>	<u>422,790</u>	<u>433,124</u>	<u>(36,595)</u>

The provision for PRC Enterprise Income Tax is calculated at tax rate of 33%, except for Shanghai Foreign Trade and Shanghai Sen Xin which are entitled to corporate profit tax rate of 15% in accordance with the local practices in Shanghai, of the estimated assessable profits for the year/period determined in accordance with the relevant income tax rules and regulations in the PRC.

For the year ended 31st December 2005, 上海家得利商品配送管理有限公司 (Shanghai Jiadeli Goods Distribution Management Co., Ltd.) ("Shanghai Jiadeli Goods Distribution") was granted a one-year tax exemption by the tax bureau.

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16th March 2007, the new PRC enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective from 1st January 2008. The effect of this change has been reflected in the calculation of deferred taxation at 31st July 2007.

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SHANGHAI URBAN DEVELOPMENT**

The tax charge for the Relevant Periods can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	<b>Year ended 31st December</b>			<b>Seven months ended 31st July</b>	
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2006</b>	<b>2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Profit (loss) before taxation	<u>380,576</u>	<u>63,854</u>	<u>789,938</u>	<u>840,978</u>	<u>(13,830)</u>
Tax at the income tax rate of 33%	125,590	21,072	260,679	277,523	(4,564)
Tax effect of share of results of associates	(3,514)	(1,200)	(1,827)	(843)	(1,617)
Tax effect of income not taxable for tax purpose	(14,922)	(10,128)	(1,477)	(2,330)	(5,062)
Tax effect of expenses not deductible for tax purpose	14,598	15,543	49,267	47,051	7,091
(Over) underprovision in prior years	(2,051)	4,807	(1,006)	(47)	(1,730)
Tax effect of tax losses not recognised	3,950	6,826	4,906	2,541	12,937
Effect of tax exemption granted to subsidiaries	(618)	(18,661)	—	—	—
Land appreciation tax	47,605	487	167,534	163,028	7,600
Effect of land appreciation tax	(15,710)	(161)	(55,286)	(53,799)	(2,508)
Tax effect of change in tax rate	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(48,742)</u>
Tax charge (credit) for the year/period	<u>154,928</u>	<u>18,585</u>	<u>422,790</u>	<u>433,124</u>	<u>(36,595)</u>

Details of deferred taxation are set out in note 25.

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### 12. PROFIT FOR THE YEAR/PERIOD

	Year ended 31st December			Seven months ended 31st July	
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2006 RMB'000 (Unaudited)	2007 RMB'000
Profit for the year/period has been arrived at after charging (crediting):					
Staff costs	117,000	135,616	162,104	98,404	107,276
Retirement benefits scheme contributions	4,464	6,841	13,392	8,472	8,439
Less: Amount capitalised in properties under development held for resale	(2,890)	(4,432)	(5,116)	(2,984)	(6,188)
Total staff costs	118,574	138,025	170,380	103,892	109,527
Auditors' remuneration	782	144	1,192	591	223
Depreciation of property, plant and equipment	53,727	58,110	57,246	31,239	36,111
Loss (gain) on disposal of property, plant and equipment	4,429	(13,452)	5,776	4,268	24
Loss on disposal of investment securities	2,100	—	—	—	—
Loss on changes in fair value of investments held-for-trading	—	—	—	1,328	—
Release of prepaid lease payments	135	135	135	79	79
Share of tax of associates (included in share of results of associates)	20,890	701	3,143	1,833	1,616
Cost of inventories recognised as an expense	2,110,633	1,648,331	3,063,614	2,308,600	1,051,710

## 13. DIRECTORS' AND SUPERVISORS' REMUNERATIONS

The remuneration paid or payable to each director and supervisor were as follows:

	Directors										Supervisors											Total
	Xu Lin Xiang	Jiang Guo Hua	Ni Jian Da	Chen An Min	Xue Yong	Chen Ming Long	Yang Biao	Cai Yu Tian	Qian Shi Zheng	Zhou Jun	Liu Shen Sheng	Bao De Yong	Wang Yi Min	Feng Shang Da	Ye Wei Qi	Liu Rong Xian	Huang Lan Fang	Jiang Xing Yuan	Jia Bin	Zhu Guang Ping	Wang Zheng Gang	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the year ended 31st December 2004																						
Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other emoluments																						
Salaries and other benefits	130	157	153	145	118	-	-	-	-	-	-	-	147	-	115	-	-	-	-	-	-	
Retirement benefits scheme contributions	4	4	4	4	4	-	-	-	-	-	-	-	4	-	4	-	-	-	-	-	-	
Performance related incentive payments	166	166	166	149	29	-	-	-	-	-	-	-	149	-	133	-	-	-	-	-	-	
Total emoluments	300	327	323	298	151	-	-	-	-	-	-	-	300	-	252	-	-	-	-	-	-	
For the year ended 31st December 2005																						
Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other emoluments																						
Salaries and other benefits	109	167	161	155	131	-	-	-	-	-	-	-	158	-	143	-	-	-	-	-	-	
Retirement benefits scheme contributions	4	5	5	5	5	-	-	-	-	-	-	-	5	-	5	-	-	-	-	-	-	
Performance related incentive payments	-	-	-	-	42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total emoluments	113	172	166	160	178	-	-	-	-	-	-	-	163	-	148	-	-	-	-	-	-	
For the year ended 31st December 2006																						
Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other emoluments																						
Salaries and other benefits	-	137	136	125	117	-	-	-	-	-	-	-	125	-	119	-	-	-	-	-	-	
Retirement benefits scheme contributions	-	5	5	5	5	-	-	-	-	-	-	-	5	-	5	-	-	-	-	-	-	
Performance related incentive payments	-	-	225	213	46	-	-	-	-	-	-	-	213	-	202	-	-	-	-	-	-	
Total emoluments	-	142	366	343	168	-	-	-	-	-	-	-	343	-	326	-	-	-	-	-	-	

	Directors										Supervisors											
	Xu Lin Xiang	Jiang Guo Hua	Ni Jian Da	Chen An Min	Xue Yong	Chen Ming Long	Yang Biao	Cai Yu Tian	Qian Shi Zheng	Zhou Jun	Liu Shen Sheng	Bao De Yong	Wang Yi Min	Feng Shang Da	Ye Wei Qi	Liu Rong Xian	Huang Lan Fang	Jiang Xing Yuan	Jia Bin	Zhu Guang Ping	Wang Zheng Gang	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>For the seven months ended 31st July 2007</b>																						
Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other emoluments																						
Salaries and other benefits	-	81	81	74	68	-	-	-	-	-	-	-	74	-	-	-	-	-	-	-	-	378
Retirement benefits scheme contributions	-	3	3	3	3	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	15
<b>Total emoluments</b>	<b>-</b>	<b>84</b>	<b>84</b>	<b>77</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>393</b>
<b>For the seven months ended 31st July 2006 (Unaudited)</b>																						
Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other emoluments																						
Salaries and other benefits	-	80	79	73	68	-	-	-	-	-	-	-	73	-	69	-	-	-	-	-	-	442
Retirement benefits scheme contributions	-	3	3	3	3	-	-	-	-	-	-	-	3	-	3	-	-	-	-	-	-	18
Performance related incentive payments	-	-	132	124	27	-	-	-	-	-	-	-	124	-	118	-	-	-	-	-	-	525
<b>Total emoluments</b>	<b>-</b>	<b>83</b>	<b>214</b>	<b>200</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>985</b>

During the Relevant Periods, no emoluments were paid by the Urban Development Group to the directors and supervisors as an inducement to join or upon joining the Urban Development Group or as compensation for loss of office. In addition, during the Relevant Periods, no directors and supervisors waived any emoluments.

## 14. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Urban Development Group, the number of directors and supervisors and other employees were as follows:

	Year ended 31st December			Seven months ended 31st July	
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2006 RMB'000	2007 RMB'000
				(Unaudited)	
Directors and supervisors	5	3	4	5	4
Other employees	—	2	1	—	1
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

The remunerations of the above directors and supervisors are set out in note 13. The remunerations of the remaining individuals were as follows:

	Year ended 31st December			Seven months ended 31st July	
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2006 RMB'000	2007 RMB'000
				(Unaudited)	
Salaries and other benefits	—	147	125	—	74
Retirement benefits scheme contributions	—	6	5	—	3
Performance related incentive payments	—	184	213	—	—
	<u>—</u>	<u>337</u>	<u>343</u>	<u>—</u>	<u>77</u>

## 15. DIVIDENDS

	Year ended 31st December			Seven months ended 31st July	
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2006 RMB'000	2007 RMB'000
				(Unaudited)	
Dividends	<u>12,328</u>	<u>115,079</u>	<u>115,675</u>	<u>50,000</u>	<u>—</u>

The rate of dividend and the number of shares ranking for dividends were not presented as such information was not meaningful having regard to the purpose of this report.

## 16 INVESTMENT PROPERTIES

	URBAN DEVELOPMENT GROUP AND URBAN DEVELOPMENT			As at
	2004 RMB'000	As at 31st December 2005 RMB'000	2006 RMB'000	31st July 2007 RMB'000
FAIR VALUE				
At beginning of the year/period	78,030	263,810	270,100	297,700
Transferred from buildings at fair value	143,100	–	12,700	–
Net increase in fair value recognised in equity	42,680	–	–	–
Net increase in fair value recognised in the income statement	–	6,290	14,900	42,190
At end of the year/period	<u>263,810</u>	<u>270,100</u>	<u>297,700</u>	<u>339,890</u>

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

The Urban Development Group and Urban Development's investment properties are situated in the PRC and are held on land under medium-term land use rights.

The fair value of the Urban Development Group and Urban Development's investment properties at the respective balance sheet dates was arrived at on the basis of a valuation carried out as of that date by Messrs. Debenham Tie Leung Limited, independent firm of qualified professional valuers not connected with the Urban Development Group. Messrs. Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to comparable sales transactions as available in the relevant markets.

The property rental income earned by the Urban Development Group from its investment properties, all of which are leased out under operating leases, are set out in note 37.

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### 17. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>URBAN DEVELOPMENT GROUP</b>						
<b>COST</b>						
At 1st January 2004	149,319	174,511	31,648	136,095	2,797	494,370
Additions	–	27,749	5,235	21,117	5,307	59,408
Transferred to investment properties	(31,397)	–	–	–	–	(31,397)
Transfers	470	1,029	–	2,039	(3,538)	–
Disposals	–	(13,911)	(1,323)	–	–	(15,234)
Disposal of subsidiaries	–	(6,537)	–	–	–	(6,537)
At 31st December 2004	118,392	182,841	35,560	159,251	4,566	500,610
Additions	–	32,681	3,871	17,143	6,408	60,103
Transfers	–	615	–	5,856	(6,471)	–
Disposals	(1,028)	(15,097)	(922)	–	–	(17,047)
At 31st December 2005	117,364	201,040	38,509	182,250	4,503	543,666
Acquired on acquisition of subsidiaries	–	861	1,063	3,376	–	5,300
Additions	11,260	32,950	9,221	26,283	7,549	87,263
Transferred to investment properties	(8,914)	–	–	–	–	(8,914)
Transfers	2,840	–	–	1,251	(4,091)	–
Disposals	–	(15,022)	(3,207)	(396)	–	(18,625)
Disposal of subsidiaries	–	(3,192)	–	–	–	(3,192)
At 31st December 2006	122,550	216,637	45,586	212,764	7,961	605,498
Additions	–	22,360	1,193	10,556	3,140	37,249
Transfers	–	1,787	–	8,629	(10,416)	–
Disposals	–	(5,474)	(1,885)	(88)	–	(7,447)
Disposal of subsidiaries	–	(319)	(1,543)	(898)	–	(2,760)
At 31st July 2007	122,550	234,991	43,351	230,963	685	632,540
<b>DEPRECIATION</b>						
At 1st January 2004	15,611	59,565	8,067	94,855	–	178,098
Provided for the year	8,276	25,255	3,754	16,442	–	53,727
Transferred to investment properties	(5,836)	–	–	–	–	(5,836)
Eliminated on disposals	–	(9,862)	(574)	–	–	(10,436)
Disposal of subsidiaries	–	(444)	–	–	–	(444)
At 31st December 2004	18,051	74,514	11,247	111,297	–	215,109
Provided for the year	8,103	25,500	4,723	19,784	–	58,110
Eliminated on disposals	(354)	(8,302)	(688)	–	–	(9,344)
At 31st December 2005	25,800	91,712	15,282	131,081	–	263,875
Provided for the year	8,011	27,297	5,187	16,751	–	57,246
Transferred to investment properties	(2,217)	–	–	–	–	(2,217)
Eliminated on disposals	–	(10,232)	(2,296)	(51)	–	(12,579)
Eliminated on disposal of subsidiaries	–	(197)	–	–	–	(197)



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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

	<b>Buildings</b> <i>RMB'000</i>	<b>Furniture, fixtures and equipment</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Leasehold improvements</b> <i>RMB'000</i>	<b>Construction in progress</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 31st December 2006	31,594	108,580	18,173	147,781	–	306,128
Provided for the period	1,590	16,376	2,562	15,583	–	36,111
Eliminated on disposals	–	(4,512)	(1,425)	(40)	–	(5,977)
Eliminated on disposal of subsidiaries	–	(78)	(326)	(749)	–	(1,153)
At 31st July 2007	33,184	120,366	18,984	162,575	–	335,109
CARRYING VALUES						
At 31st December 2004	100,341	108,327	24,313	47,954	4,566	285,501
At 31st December 2005	91,564	109,328	23,227	51,169	4,503	279,791
At 31st December 2006	90,956	108,057	27,413	64,983	7,961	299,370
At 31st July 2007	89,366	114,625	24,367	68,388	685	297,431

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	<b>Buildings</b> <i>RMB'000</i>	<b>Furniture, fixtures and equipment</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>URBAN DEVELOPMENT</b>				
<b>COST</b>				
At 1st January 2004	116,336	4,507	6,048	126,891
Additions	–	263	550	813
Transferred to investment properties	(31,397)	–	–	(31,397)
Disposals	–	(515)	(148)	(663)
At 31st December 2004	84,939	4,255	6,450	95,644
Additions	–	221	294	515
Disposals	–	(1,299)	(726)	(2,025)
At 31st December 2005	84,939	3,177	6,018	94,134
Additions	–	328	2,464	2,792
Transferred to investment properties	(8,914)	–	–	(8,914)
Disposals	–	–	(511)	(511)
At 31st December 2006	76,025	3,505	7,971	87,501
Additions	–	512	–	512
Disposals	–	(257)	–	(257)
At 31st July 2007	76,025	3,760	7,971	87,756
<b>DEPRECIATION</b>				
At 1st January 2004	8,728	2,534	3,120	14,382
Provided for the year	2,240	600	504	3,344
Transferred to investment properties	(5,836)	–	–	(5,836)
Eliminated on disposals	–	(476)	(141)	(617)
At 31st December 2004	5,132	2,658	3,483	11,273
Provided for the year	2,070	526	523	3,119
Eliminated on disposals	–	(1,207)	(650)	(1,857)
At 31st December 2005	7,202	1,977	3,356	12,535
Provided for the year	1,776	482	532	2,790
Transferred to investment properties	(2,217)	–	–	(2,217)
Eliminated on disposals	–	–	(486)	(486)
At 31st December 2006	6,761	2,459	3,402	12,622
Provided for the period	1,036	269	436	1,741
Eliminated on disposals	–	(232)	–	(232)
At 31st July 2007	7,797	2,496	3,838	14,131
<b>CARRYING VALUES</b>				
At 31st December 2004	<u>79,807</u>	<u>1,597</u>	<u>2,967</u>	<u>84,371</u>
At 31st December 2005	<u>77,737</u>	<u>1,200</u>	<u>2,662</u>	<u>81,599</u>
At 31st December 2006	<u>69,264</u>	<u>1,046</u>	<u>4,569</u>	<u>74,879</u>
At 31st July 2007	<u>68,228</u>	<u>1,264</u>	<u>4,133</u>	<u>73,625</u>

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Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method, at the following rates per annum:

Buildings	the shorter of 5% or over the period of the lease terms
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 20%
Leasehold improvements	20%

All the Urban Development Group and Urban Development's buildings are situated in the PRC and are erected on land under medium-term land use rights.

### 18. PREPAID LEASE PAYMENTS

The Urban Development Group's prepaid lease payments represent leasehold interest on land situated in the PRC held under medium-term land use rights and are analysed for reporting purpose as follows:

	URBAN DEVELOPMENT GROUP			As at
	As at 31st December			31st July
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current asset	4,643	4,508	4,373	4,294
Current asset	135	135	135	135
	<u>4,778</u>	<u>4,643</u>	<u>4,508</u>	<u>4,429</u>

### 19. INVESTMENTS IN SUBSIDIARIES

	URBAN DEVELOPMENT GROUP			As at
	As at 31st December			31st July
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	<u>1,120,296</u>	<u>1,099,757</u>	<u>2,102,253</u>	<u>2,185,990</u>

Details of Urban Development's subsidiaries are set out in note 45.

### 20. INTERESTS/INVESTMENTS IN ASSOCIATES

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	176,579	441,769	106,579	67,923	159,739	424,929	89,739	51,083
Share of post-acquisition profits and reserves, net of dividends received	17,704	15,878	20,310	13,557	–	–	–	–
	<u>194,283</u>	<u>457,647</u>	<u>126,889</u>	<u>81,480</u>	<u>159,739</u>	<u>424,929</u>	<u>89,739</u>	<u>51,083</u>

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Details of the associates which were established and operated in the PRC, at the respective balance sheet dates were as follows:

Name of associate	Issued and fully paid registered capital <i>RMB</i>	Proportion of interest held by the Urban Development Group				Proportion of interest held by Urban Development				Principal activity
		As at 31st December			As at 31st July	As at 31st December			As at 31st July	
		2004	2005	2006	2007	2004	2005	2006	2007	
上海城開派特貴金屬 有限公司 (Shanghai Urban Development Pai Te Precious Metals Co., Ltd.) ("Shanghai Pai Te Precious Metals")	10,000,000	45.9%	45.9%	45.9%	45.9%	–	–	–	–	Trading of precious metals
上海香榭麗舍經濟發展 有限公司 (Shanghai Champs Elysees Economy Development Co., Ltd.)	5,000,000	49%	49%	49%	49%	–	–	–	–	Property rental
上海城開房地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.)	20,000,000	49%	49%	49%	49%	49%	49%	49%	49%	Provision of property agency services
Shanghai Huanyu	830,528,640	–	30%	–	–	–	30%	–	–	Property development and sales
上海金達擔保租賃 有限公司 (Shanghai Jin Da Guarantee Leasing Co., Ltd.)	200,000,000	20%	20%	–	–	20%	20%	–	–	Provision of mortgaging services
上海興威房地產發展 有限公司 (Shanghai Xing Wei Real Estate Development Co., Ltd.)	46,014,400	45%	45%	45%	45%	45%	45%	45%	45%	Property development and sales
徐匯房地產股份 有限公司 (Xuhui Real Estate Joint Stock Co., Ltd.)	40,000,000	46%	46%	46%	–	46%	46%	46%	–	Property development and sales
上海深城環保設備工程 有限公司 (Shanghai Shen Cheng Environmental Protection Equipment Engineering Co., Ltd.)	2,000,000	35%	35%	35%	35%	–	–	–	–	Trading of fixtures and furniture
上海城開錦仕龍房地產經營 有限公司 (Shanghai Urban Development Jin Shi Long Real Estate Co., Ltd.)	20,000,000	45%	45%	45%	45%	–	–	–	–	Provision of property management services
河南鄭州天明地產控股 有限公司 (Henan Zhengzhou Tian Ming Real Estate Holdings Co., Ltd.)	10,000,000	30%	30%	–	–	30%	30%	–	–	Property development and sales

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A summary of the combined financial information in respect of the Urban Development Group's associates is set out below:

	URBAN DEVELOPMENT GROUP			
	As at 31st December			As at
	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	2007
Total assets	664,566	1,678,348	364,988	218,438
Total liabilities	(95,267)	(228,464)	(88,734)	(40,993)
Net assets	<u>569,299</u>	<u>1,449,884</u>	<u>276,254</u>	<u>177,445</u>
Urban Development Group's share of net assets of associates	<u>194,283</u>	<u>457,647</u>	<u>126,889</u>	<u>81,480</u>
Turnover	<u>367,279</u>	<u>271,391</u>	<u>303,779</u>	<u>150,244</u>
Profit for the year/period	<u>9,758</u>	<u>10,248</u>	<u>12,380</u>	<u>10,764</u>
Urban Development Group's share of results of associates for the year/period	<u>10,648</u>	<u>3,635</u>	<u>5,537</u>	<u>4,900</u>

### 21. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity securities, at cost less impairment:								
Available-for-sale investments	<u>–</u>	<u>6,108</u>	<u>4,073</u>	<u>46,382</u>	<u>–</u>	<u>5,458</u>	<u>3,173</u>	<u>45,582</u>
Investment securities	<u>9,646</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,996</u>	<u>–</u>	<u>–</u>	<u>–</u>

Upon the application of HKAS 39 on 1st January 2005, investment securities which were previously carried at cost less impairment were reclassified to available-for-sale investments.

At the respective balance sheet dates, the unlisted equity investments are measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of Urban Development are of the opinion that their fair values cannot be measured reliably.

Included in available-for-sale investments at 31st July 2007 is 19.9% equity interest in Shanghai Jiujiu Plaza of RMB43,925,000. Details are set out in note 34.

During year ended 31st December 2005 and 31st December 2006 and the seven months ended 31st July 2007 and 31st July 2006, available-for-sale investments with carrying amount of RMB6,037,000, RMB2,285,000, RMB1,616,000 and RMB2,000,000 were disposed of with a gain on disposal of RMB1,440,000, RMB1,094,000, RMB3,551,000 and nil respectively.

**22. LOAN RECEIVABLES**

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate loan receivables	–	–	74,400	31,860	–	–	54,400	10,513
The loan receivables are repayable as follows:								
Within one year	–	–	64,400	31,860	–	–	54,400	10,513
More than one year but not exceeding two years	–	–	10,000	–	–	–	–	–
	–	–	74,400	31,860	–	–	54,400	10,513
Less: Amount due within one year shown under current assets	–	–	(64,400)	(31,860)	–	–	(54,400)	(10,513)
Amount due after one year	–	–	10,000	–	–	–	–	–

The amounts represent loans advance to third parties and are unsecured and carry interest from 8.8% to 11.54% per annum.

**23. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT**

The deposits were paid by the Urban Development Group in connection with the acquisition of property, plant and equipment for new shops. The related capital commitments are set out in note 38.

**24. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH**

The restricted bank deposits represent deposits under restriction for use by the Urban Development Group as a result of a commercial court case of a minority shareholder of a subsidiary during the Relevant Periods and the bank deposits were frozen accordingly. The restricted bank deposits and bank deposits with maturity less than three months carry fixed rates ranging from 3% to 5% for the Relevant Periods.

Bank balances and cash comprises bank balances and cash and short-term deposits that are interest-bearing at market interest rates. All bank deposits are with maturity of three months or less. The bank deposits carries interest at the range from 3% to 5% per annum during the Relevant Periods.

## 25. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Relevant Periods:

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT		
	Revaluation of properties <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Other deferred tax assets <i>RMB'000</i>	Total <i>RMB'000</i>	Revaluation of properties <i>RMB'000</i>	Other deferred tax assets <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January 2004	227,595	(335)	(30,235)	197,025	15,073	(10,357)	4,716
(Credit) charge to income statement for the year ( <i>note 11</i> )	–	(291)	(3,393)	(3,684)	–	507	507
Charge to equity for the year	52,870	–	–	52,870	52,870	–	52,870
At 31st December 2004	280,465	(626)	(33,628)	246,211	67,943	(9,850)	58,093
Charge (credit) to income statement for the year ( <i>note 11</i> )	2,076	(2,382)	(10,648)	(10,954)	2,076	347	2,423
At 31st December 2005	282,541	(3,008)	(44,276)	235,257	70,019	(9,503)	60,516
Charge (credit) to income statement for the year ( <i>note 11</i> )	4,917	(8,787)	13,536	9,666	4,917	(2,290)	2,627
Charge to equity for the year	1,981	–	–	1,981	1,981	–	1,981
Arising on acquisition of assets/liabilities ( <i>note 35</i> )	–	–	(9,773)	(9,773)	–	–	–
At 31st December 2006	289,439	(11,795)	(40,513)	237,131	76,917	(11,793)	65,124
Effect of change in tax rate:							
– (credit) charge to income statement for the period	(63,482)	2,391	12,349	(48,742)	(11,002)	1,366	(9,636)
– credit to equity for the period	(9,884)	–	–	(9,884)	(9,884)	–	(9,884)
Charge (credit) to income statement for the year ( <i>note 11</i> )	10,548	(10,277)	735	1,006	10,548	4,850	15,398
Disposal of subsidiaries ( <i>note 34</i> )	–	–	1,885	1,885	–	–	–
At 31st July 2007	226,621	(19,681)	(25,544)	181,396	66,579	(5,577)	61,002

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

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

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at 31st July	As at 31st December			As at 31st July
	2004	2005	2006	2007	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	(35,649)	(49,356)	(32,963)	(49,694)	(9,111)	(9,441)	(11,950)	(6,090)
Deferred tax liabilities	281,860	284,613	270,094	231,090	67,204	69,957	77,074	67,092
	<u>246,211</u>	<u>235,257</u>	<u>237,131</u>	<u>181,396</u>	<u>58,093</u>	<u>60,516</u>	<u>65,124</u>	<u>61,002</u>

At 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007, the Urban Development Group had unused tax losses of approximately RMB22,542,000, RMB50,448,000, RMB91,942,000 and RMB204,656,000 respectively, available for offset against future assessable profits. At 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007, a deferred tax asset amounting to approximately RMB1,897,000, RMB9,115,000, RMB35,742,000 and RMB78,724,000 respectively in respect of tax losses was recognised. At 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007, no deferred tax asset has been recognised in respect of the remaining tax losses of RMB20,645,000, RMB41,333,000, RMB56,200,000 and RMB125,932,000 respectively due to the unpredictability of future profit streams. The maximum benefit from unutilised tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

### 26. INVENTORIES

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at 31st July	As at 31st December			As at 31st July
	2004	2005	2006	2007	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development held for resale	3,962,637	3,677,531	5,103,772	5,227,689	929,693	267,584	269,981	333,454
Properties held for resale	147,244	699,450	119,829	137,768	147,244	699,450	119,829	137,768
Finished goods	256,949	296,510	299,026	305,331	—	—	—	—
	<u>4,366,830</u>	<u>4,673,491</u>	<u>5,522,627</u>	<u>5,670,788</u>	<u>1,076,937</u>	<u>967,034</u>	<u>389,810</u>	<u>471,222</u>

### 27. TRADE AND OTHER RECEIVABLES

The Urban Development Group generally allows an average credit period of 60 to 180 days to its trade customers. Included in the Urban Development Group's trade receivable balance are debtors with a carrying amount of RMB1,386,000 (31st December 2004: RMB5,165,000, 31st December 2005: RMB6,363,000 and 31st December 2006: RMB1,598,000) which are past due at the reporting date for the Urban Development Group and allowances for doubtful debts has not provided, there has not been a significant change in credit quality and the Urban Development Group believe that the amounts are still considered recoverable. In determining the recoverability of a trade receivable, the Urban Development Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement repayment history from those debtors of the Urban Development Group, the directors consider that there is no further provision required in excess of the impairment loss recognised for the Relevant Periods.



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The aged analysis of trade receivables of the Urban Development Group at the respective balance sheet dates is as follows:

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:								
Within 60 days	79	242	–	4,023	–	–	–	–
Within 61 – 180 days	16,821	8,852	987	–	–	–	–	–
Within 181 – 365 days	202	26	–	–	–	–	–	–
Over 365 days	4,963	6,337	1,598	1,386	–	–	–	–
	<u>22,065</u>	<u>15,457</u>	<u>2,585</u>	<u>5,409</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Other receivables:								
Deposits for land acquisition	20,085	21,040	30,000	–	5,040	21,040	–	–
Deposits for purchase of properties held for resale	66,942	1,601	520	–	–	–	–	–
Advance to a former shareholder of a subsidiary	270,630	270,630	270,630	270,630	–	–	–	–
Rental prepayment	10,317	9,476	16,862	17,583	–	–	–	–
Others	130,057	37,885	76,405	143,329	61,436	6,631	37,401	30,682
	<u>498,031</u>	<u>340,632</u>	<u>394,417</u>	<u>431,542</u>	<u>66,476</u>	<u>27,671</u>	<u>37,401</u>	<u>30,682</u>
	<u>520,096</u>	<u>356,089</u>	<u>397,002</u>	<u>436,951</u>	<u>66,476</u>	<u>27,671</u>	<u>37,401</u>	<u>30,682</u>

### 28. INVESTMENTS HELD-FOR-TRADING/OTHER INVESTMENTS

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities listed outside Hong Kong, at fair value:								
Investments held-for-trading	<u>–</u>	<u>847</u>	<u>7,261</u>	<u>38,424</u>	<u>–</u>	<u>782</u>	<u>733</u>	<u>2,298</u>
Other investments	<u>9,326</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,239</u>	<u>–</u>	<u>–</u>	<u>–</u>

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### 29. TRADE AND OTHER PAYABLES

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

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	2007	RMB'000	RMB'000	RMB'000	2007
Trade payables:								
Within 60 days	537,132	361,502	339,907	559,298	132,009	53,734	9,829	46,882
Within 61 – 180 days	12,016	26,778	84,597	2,207	–	142	–	–
Within 181 – 365 days	2,204	2,342	2,618	7,733	–	412	–	750
Over 365 days	64,790	155,526	133,204	36,011	52,427	106,173	88,134	477
	<u>616,142</u>	<u>546,148</u>	<u>560,326</u>	<u>605,249</u>	<u>184,436</u>	<u>160,461</u>	<u>97,963</u>	<u>48,109</u>
Other payables:								
Customers deposits from sales of properties	734,345	1,247,077	297,580	1,133,381	661,264	1,161,211	3,047	28,411
Consideration payable	731,295	731,295	731,295	597,958	731,295	731,295	731,295	597,958
Other tax payable	419,397	431,859	451,091	571,617	98,945	62,957	249,086	207,510
Receipts in advance from building possession	21,600	119,561	–	–	–	–	–	–
Others	372,887	267,400	148,028	211,512	273,528	160,539	44,061	69,345
	<u>2,279,524</u>	<u>2,797,192</u>	<u>1,627,994</u>	<u>2,514,468</u>	<u>1,765,032</u>	<u>2,116,002</u>	<u>1,027,489</u>	<u>903,224</u>
	<u>2,895,666</u>	<u>3,343,340</u>	<u>2,188,320</u>	<u>3,119,717</u>	<u>1,949,468</u>	<u>2,276,463</u>	<u>1,125,452</u>	<u>951,333</u>

### 30. FINANCIAL GUARANTEE CONTRACTS

#### URBAN DEVELOPMENT GROUP AND URBAN DEVELOPMENT

	As at 31st December			As at
	2004	2005	2006	31st July
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000

Financial guarantee contracts issued to:

#### Entities controlled by Xuhui SAAC

– 上海徐家匯商城(集團)有限公司 (Shanghai Xujiahui Commercial City (Group) Co., Ltd.) (“Shanghai Xujiahui Commercial City”)	–	2	17	–
– 上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.) (“Shanghai Xuhui State-owned Assets Management”)	–	2,994	1,827	2,886

#### Associate

– Shanghai Pai Te Precious Metals	–	169	–	–
	<u>–</u>	<u>3,165</u>	<u>1,844</u>	<u>2,886</u>

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### 31. BANK LOANS

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Analysed as:								
Secured	455,000	1,480,000	1,840,000	2,070,000	305,000	50,000	260,000	270,000
Unsecured	908,000	797,000	692,500	740,000	413,000	503,000	392,500	530,000
	<u>1,363,000</u>	<u>2,277,000</u>	<u>2,532,500</u>	<u>2,810,000</u>	<u>718,000</u>	<u>553,000</u>	<u>652,500</u>	<u>800,000</u>
The bank loans are repayable as follows:								
Within one year	1,313,000	807,000	1,845,000	1,930,000	668,000	423,000	545,000	630,000
More than one year, but not exceeding two years	50,000	1,270,000	307,500	660,000	50,000	130,000	107,500	170,000
More than two years, but not exceeding three years	—	200,000	380,000	220,000	—	—	—	—
	<u>1,363,000</u>	<u>2,277,000</u>	<u>2,532,500</u>	<u>2,810,000</u>	<u>718,000</u>	<u>553,000</u>	<u>652,500</u>	<u>800,000</u>
Less: Amount due within one year shown under current liabilities	<u>(1,313,000)</u>	<u>(807,000)</u>	<u>(1,845,000)</u>	<u>(1,930,000)</u>	<u>(668,000)</u>	<u>(423,000)</u>	<u>(545,000)</u>	<u>(630,000)</u>
Amount due after one year	<u>50,000</u>	<u>1,470,000</u>	<u>687,500</u>	<u>880,000</u>	<u>50,000</u>	<u>130,000</u>	<u>107,500</u>	<u>170,000</u>

All of the above bank loans are denominated in Renminbi and are at fixed interest rates in the range as follows:

	URBAN DEVELOPMENT GROUP AND URBAN DEVELOPMENT			
	Year ended 31st December			Seven months ended 31st July
	2004	2005	2006	2007
Interest rate	<u>5.28% to 9.00%</u>	<u>5.22% to 6.34%</u>	<u>5.09% to 6.93%</u>	<u>5.03% to 7.22%</u>

### 32. PAID-IN CAPITAL

	RMB'000
Registered and paid-in capital	
At 1st January 2004, 31st December 2004, 31st December 2005 and 31st December 2006	180,800
Injection of capital by the Company in June 2007	<u>120,530</u>
At 31st July 2007	<u>301,330</u>

Pursuant to the capital contribution agreement dated 27th June 2007 entered into between the Company and Urban Development, the Company made a capital contribution of RMB2,130,660,600 to Urban Development, of which RMB120,530,000 was contributed to the registered capital and the remaining RMB2,010,130,600 was contributed to capital reserve.

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### 33. RESERVES

	Capital reserve <i>RMB'000</i>	Properties revaluation reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Accumulated profits <i>RMB'000</i>	Total <i>RMB'000</i>
<b>URBAN DEVELOPMENT</b>					
At 1st January 2004	(221,143)	17,947	49,554	580,794	427,152
Changes in fair value of leasehold properties	–	117,539	–	–	117,539
Deferred tax liability arising on revaluation	–	(38,785)	–	–	(38,785)
Surplus arising on revaluation of investment properties	–	42,680	–	–	42,680
Deferred tax liability arising on revaluation	–	(14,085)	–	–	(14,085)
Net income recognised directly in equity	–	107,349	–	–	107,349
Profit for the year	–	–	–	220,623	220,623
Total recognised income and expense for the year	–	107,349	–	220,623	327,972
Distributions to Xuhui SAAC	(442,209)	–	–	–	(442,209)
Transfers	–	–	14,259	(14,259)	–
Dividends paid	–	–	–	(12,328)	(12,328)
At 31st December 2004	(663,352)	125,296	63,813	774,830	300,587
Effect of changes in accounting policies	(323)	(46,542)	–	46,542	(323)
At 1st January 2005	(663,675)	78,754	63,813	821,372	300,264
Profit for the year	–	–	–	56,139	56,139
Deemed capital contribution on transfer of interests in an associate from Xuhui SAAC	244,280	–	–	–	244,280
Distributions to Xuhui SAAC	(199,170)	–	–	–	(199,170)
Transfers	–	–	26,638	(26,638)	–
Dividends paid	–	–	–	(115,079)	(115,079)
At 31st December 2005	(618,565)	78,754	90,451	735,794	286,434
Changes in fair value of leasehold properties	–	6,003	–	–	6,003
Deferred tax liability arising on revaluation	–	(1,981)	–	–	(1,981)

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	Capital reserve <i>RMB'000</i>	Properties revaluation reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Accumulated profits <i>RMB'000</i>	Total <i>RMB'000</i>
Net income recognised directly in equity	–	4,022	–	–	4,022
Profit for the year	–	–	–	254,693	254,693
Total recognised income and expense for the year	–	4,022	–	254,693	258,715
Deemed capital contribution on transfer of assets/liabilities from Xuhui SAAC	243,768	–	–	–	243,768
Distributions to Xuhui SAAC	(126,246)	–	–	–	(126,246)
Transfers	–	–	19,371	(19,371)	–
Dividends paid	–	–	–	(115,675)	(115,675)
At 31st December 2006	(501,043)	82,776	109,822	855,441	546,996
Loss for the period	–	–	–	(92,035)	(92,035)
Effect of change in tax rate	–	9,884	–	–	9,884
Injection of capital	2,010,131	–	–	–	2,010,131
Distributions to Xuhui SAAC	(11,712)	–	–	–	(11,712)
At 31st July 2007	<u>1,497,376</u>	<u>92,660</u>	<u>109,822</u>	<u>763,406</u>	<u>2,463,264</u>

### 34. DISPOSAL OF SUBSIDIARIES

In February 2004, the Urban Development Group disposed of its entire equity interest of 51% in 上海城開房地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.) (“Shanghai Real Estate Agency”) for a consideration of RMB50,000,000.

In December 2005, the Urban Development Group disposed of its entire equity interest of 55% in 上海城開國際貿易有限公司 (Shanghai Urban Development International Trade Co., Ltd.) (“Shanghai International Trade”) for a consideration of RMB1,821,000.

In January 2006, the Urban Development Group disposed of its entire equity interest of 51% in 上海凱文克蘭化妝品有限公司 (Shanghai Kai Wen Ke Lan Cosmetic Co., Ltd.) (“Shanghai Cosmetic”) for a consideration of RMB2,550,000.

In addition in May 2006, 蘇州家得利超市有限公司 (Suzhou Jiadeli Supermarket Co., Ltd.) (“Suzhou Jiadeli”), a 82.2% owned subsidiary of Urban Development, was dissolved during that year.

In March 2007, the Urban Development Group’s equity interest in 上海九久廣場投資開發有限公司 (Shanghai Jiujiu Plaza Investment Development Co., Ltd.) (“Shanghai Jiujiu Plaza”) was diluted from 60% to 19.9% as a result of capital injection by external investors.

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

The amounts of assets and liabilities disposed of by the Urban Development Group during the Relevant Periods were as follows:

	Year ended 31st December			Seven months ended 31st July	
	2004	2005	2006	2006	2007
	Shanghai Real Estate Agency RMB'000	Shanghai International Trade RMB'000	Shanghai Cosmetic and Suzhou Jiadelu RMB'000	Shanghai Cosmetic and Suzhou Jiadelu RMB'000 (unaudited)	Shanghai Jiujiu Plaza RMB'000
Net assets disposed of:					
Property, plant and equipment	6,093	–	2,995	2,995	1,607
Available-for-sale investments	200	–	–	–	–
Deferred tax assets	–	–	–	–	1,885
Inventories	–	–	1,921	1,921	277,679
Trade and other receivables	55,572	3,220	4,291	4,291	26,296
Bank balances and cash	10,755	117	274	274	2,033
Trade and other payables	(13,884)	(26)	(14,486)	(14,486)	(190,368)
Taxation payable	(8,736)	–	–	–	–
Bank loans	(20,000)	–	–	–	(50,000)
	30,000	3,311	(5,005)	(5,005)	69,132
Minority interests	(14,700)	(1,490)	–	–	(27,654)
	15,300	1,821	(5,005)	(5,005)	41,478
Gain on disposal of interests in subsidiaries	34,700	–	7,555	7,555	2,447
	<u>50,000</u>	<u>1,821</u>	<u>2,550</u>	<u>2,550</u>	<u>43,925</u>
Satisfied by:					
Cash consideration received	50,000	1,821	2,550	2,550	–
Transfer to available-for-sale investments	–	–	–	–	43,925
	<u>50,000</u>	<u>1,821</u>	<u>2,550</u>	<u>2,550</u>	<u>43,925</u>
Net cash inflow arising on disposal:					
Cash consideration received	50,000	1,821	2,550	2,550	–
Cash and cash equivalents disposed of	(10,755)	(117)	(274)	(274)	(2,033)
	<u>39,245</u>	<u>1,704</u>	<u>2,276</u>	<u>2,276</u>	<u>(2,033)</u>

The subsidiaries disposed of during the Relevant Periods had no significant impact on the turnover and results of the Urban Development Group for the respective year/period.

**35. ACQUISITION OF ASSETS/LIABILITIES AND TRANSFER OF ASSETS/LIABILITIES FROM PARENT**

During the year ended 31st December 2006, details of assets/liabilities acquired by the Urban Development Group and equity interest transferred by parent to the Urban Development Group were as follows:

- (a) In March 2006, the Urban Development Group acquired properties under development through the purchase of 60% interest in Shanghai Jiujiu Plaza, a company engaged in property development and sales, for a consideration of RMB16,925,000.
- (b) In July 2006, Xuhui SAAC has transferred the assets/liabilities to the Urban Development Group through the increased holding in Shanghai Huanyu from 30% to 60%, as a result of contribution of a further 30% equity interest in Shanghai Huanyu for nil consideration by Xuhui SAAC. Shanghai Huanyu, a company engaged in property development and sales, is a sino-foreign equity joint venture company established in the PRC and is previously classified as an associate of the Urban Development Group.

The net assets acquired/transferred in the transactions were as follows:

	<b>Shanghai Jiujiu Plaza</b>	<b>Shanghai Huanyu</b>	<b>2006</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net assets acquired/transferred:			
Property, plant and equipment	1,705	3,595	5,300
Deferred tax assets	619	9,154	9,773
Inventories	267,793	966,015	1,233,808
Trade and other receivables	5,000	1,600	6,600
Bank balances and cash	1,031	13,749	14,780
Trade and other payables	(197,725)	(2,199)	(199,924)
Taxation payable	–	(62)	(62)
Bank loans	(50,000)	–	(50,000)
Amounts due to minority shareholders	–	(158,379)	(158,379)
	<u>28,423</u>	<u>833,473</u>	<u>861,896</u>
Minority interests	<u>(11,498)</u>	<u>(325,025)</u>	<u>(336,523)</u>
	<u>16,925</u>	<u>508,448</u>	<u>525,373</u>
Satisfied by:			
Cash consideration paid	16,925	–	16,925
Deemed capital contribution on transfer of assets/liabilities from Xuhui SAAC	–	243,768	243,768
Interest in an associate	–	264,680	264,680
	<u>16,925</u>	<u>508,448</u>	<u>525,373</u>
Net cash outflow (inflow) arising on acquisitions:			
Cash consideration paid	16,925	–	16,925
Cash and cash equivalents acquired	<u>(1,031)</u>	<u>(13,749)</u>	<u>(14,780)</u>
	<u>15,894</u>	<u>(13,749)</u>	<u>2,145</u>

**36 OPERATING LEASE COMMITMENTS****The Urban Development Group as lessee:**

Minimum lease payments paid under operating leases during the Relevant Periods:

	Seven months ended 31st July			Year ended 31st December	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Premises	<u>68,247</u>	<u>84,475</u>	<u>104,642</u>	<u>54,923</u>	<u>64,689</u>

At the respective balance sheet dates, the Urban Development Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31st December			As at 31st July
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	72,030	89,222	112,404	117,673
In the second to fifth year inclusive	282,287	315,584	400,361	342,550
Over five years	<u>224,126</u>	<u>205,451</u>	<u>113,565</u>	<u>172,422</u>
	<u>578,443</u>	<u>610,257</u>	<u>626,330</u>	<u>632,645</u>

Operating lease payments represent rentals payable by the Urban Development Group for its supermarkets and office premises. Leases are negotiated for lease term of one to ten years.

**37. OPERATING LEASE ARRANGEMENTS****The Urban Development Group as lessor:**

Property rental income earned during the Relevant Periods:

	Year ended 31st December			Seven months ended 31st July	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Property rental income, net of negligible outgoings	<u>15,046</u>	<u>17,106</u>	<u>33,963</u>	<u>13,114</u>	<u>19,973</u>



## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

At the respective balance sheet dates, the Urban Development Group and Urban Development had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	URBAN DEVELOPMENT GROUP AND URBAN DEVELOPMENT			As at
	As at 31st December			31st July
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	17,332	19,706	15,573	14,471
In the second to fifth year inclusive	47,313	34,371	32,826	26,344
Over five years	20,197	13,433	10,420	10,420
	<u>84,842</u>	<u>67,510</u>	<u>58,819</u>	<u>51,235</u>

Most of the investment properties held have committed tenants for lease term of one to ten years.

### 38. CAPITAL COMMITMENTS

	As at 31st December			As at
	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure authorised but not contracted for in respect of:				
– Investment in Shanghai Jiujiu Plaza	–	18,000	–	–
Capital expenditure contracted for but not provided in the Financial Information in respect of:				
– Acquisition of property, plant and equipment	4,172	9,483	–	2,584

### 39. PLEDGE OF ASSETS

At the respective balance sheet dates, the Urban Development Group and Urban Development had the following assets pledged to banks to secure general banking facilities granted to the Urban Development Group:

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Buildings	–	–	43,520	42,632	–	–	43,520	42,632
Investment properties	–	225,300	247,000	278,000	–	225,300	247,000	278,000
Properties under development held for resale	985,216	617,016	1,814,322	2,511,345	579,438	359,498	258,162	322,890
Properties held for resale	–	–	–	23,355	–	–	–	23,355
	<u>985,216</u>	<u>842,316</u>	<u>2,104,842</u>	<u>2,855,332</u>	<u>579,438</u>	<u>584,798</u>	<u>548,682</u>	<u>666,877</u>

**40. CONTINGENT LIABILITIES**

At 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007, amounts of nil, RMB3,165,000, RMB1,844,000 and RMB2,886,000 respectively relating to financial guarantee contracts have been recognised by the Urban Development Group.

<b>URBAN DEVELOPMENT GROUP AND URBAN DEVELOPMENT</b>				
	<b>As at 31st December</b>			<b>As at</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31st July</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks in respect of banking facilities extended to:				
Entities controlled by Xuhui SAAC				
– Shanghai Xujiahui Commercial City	120,000	40,000	6,000	–
– Shanghai Xuhui State-owned Assets Management	621,260	750,000	686,000	686,000
Associate				
– Shanghai Pai Te Precious Metals	–	10,000	10,000	5,000
	<u>741,260</u>	<u>800,000</u>	<u>702,000</u>	<u>691,000</u>

**41. RETIREMENT BENEFIT SCHEMES**

The employees of the Urban Development Group are members of state-managed retirement benefit schemes operated by local government. The Urban Development Group is required to contribute a certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Urban Development Group with respect to the retirement benefit schemes is to make the specific contributions.

**42. RELATED PARTY DISCLOSURES****(a) Related party transactions**

During the Relevant Periods, the Urban Development Group had the following significant transactions with related parties:

Related parties	Nature of transaction	Year ended 31st December			Seven months ended 31st July	
		2004	2005	2006	2006	2007
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)				
Associates	Agency fee income	6,334	—	—	—	—
	Interest income	<u>918</u>	<u>918</u>	<u>918</u>	<u>536</u>	<u>536</u>
Entity controlled by Xuhui SAAC	Interest expense	<u>702</u>	<u>6,719</u>	<u>32,594</u>	<u>12,871</u>	<u>18,919</u>

In addition, the Urban Development Group and Urban Development have contributions from, and distributions to Xuhui SAAC. Details are set out in the consolidated statements of changes in equity.

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## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

### (b) Related party balances

At the respective balance sheet dates, the Urban Development Group and Urban Development had the following balances with related parties:

	URBAN DEVELOPMENT GROUP				URBAN DEVELOPMENT			
	As at 31st December			As at	As at 31st December			As at
	2004	2005	2006	31st July	2004	2005	2006	31st July
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due from:								
Subsidiaries	-	-	-	-	780,344	1,167,373	707,746	579,404
Minority shareholders of subsidiaries (note)	100,742	295,305	428,548	1,000,726	6,120	165,120	94,124	618,213
Associates	19,058	18,896	15,300	15,300	-	-	-	-
Due to:								
Xuhui SAAC	-	-	234,600	251,600	-	-	234,600	251,600
Subsidiaries	-	-	-	-	80,844	243,004	220,044	773,833
Minority shareholders of subsidiaries (note)	445,981	450,695	202,248	199,221	-	29,600	29,600	29,847
Associates	88,253	96,247	100,054	50,703	88,253	96,247	100,054	50,703
Loans from a related party	36,000	500,000	630,000	637,000	36,000	500,000	630,000	637,000

*Note:* Amounts represent balances due from/to entities controlled by Xuhui SAAC.

The amounts due from minority shareholders of subsidiaries and associates are unsecured, repayable on demand and interest-free except for an amount due from an associate of RMB15,300,000 at 31st December 2004, 31st December 2005, 31st December 2006 and 31st July 2007 which carried interest at 6% per annum.

The amounts due to minority shareholders of subsidiaries and associates are unsecured, repayable on demand and interest-free.

The loans from a related party represent loans from an entity controlled by Xuhui SAAC. The loans are unsecured, carried interest at the prevailing market rate and repayable on demand except for an amount of RMB500,000,000 at 31st December 2005, 31st December 2006 and 31st July 2007 repayable after one year.

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

In addition, the Urban Development Group also granted guarantees to the minority shareholders of subsidiaries, which represented the entities controlled by Xuhui SAAC, and associates. Details of these are set out in notes 30 and 40.

**(c) Compensation of key management personnel**

The remuneration of directors and other members of key management for the Relevant Periods were as follows:

	Year ended 31st December			Seven months ended 31st July	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Short-term benefits	1,923	1,232	1,996	1,040	452
Post-employment benefits	28	35	35	21	18
	<u>1,951</u>	<u>1,267</u>	<u>2,031</u>	<u>1,061</u>	<u>470</u>

**43. MATERIAL TRANSACTIONS AND BALANCES WITH OTHER STATE-CONTROLLED ENTERPRISES**

The Urban Development Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Urban Development Group itself is controlled by the PRC government. In the opinion of the directors of Urban Development, apart from the transactions with related parties disclosed in note 42, the Urban Development Group do not conduct any material business with other state-controlled entities.

In addition, the Urban Development Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Urban Development Group's operations.

In view of the nature of the Urban Development Group's supermarket business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions were with other state-controlled entities.

**44. POST BALANCE SHEET EVENT**

In October 2007, the Urban Development Group's equity interest in Shanghai Jiadeli was diluted from 82.2% to 45.67% as a result of injection of capital in Shanghai Jiadeli by an external investor. Accordingly, Shanghai Jiadeli became an associate to the Urban Development Group thereafter.

The directors of Urban Development are of the view that it is impractical to disclose the financial information of Shanghai Jiadeli for the dilution of interest by the Urban Development Group at the date of this report since such financial information was not yet available.

## 45. SUBSIDIARIES

As at the date of this report, Urban Development has the following subsidiaries:

Name of subsidiary	Place and date of establishment/ operation	Issued and fully paid registered capital	Percentage of equity interest attributable to Urban Development		Principal activities
			Direct	Indirect	
Shanghai Residential Settlement	The PRC 18th March 1997	RMB10,000,000	51%	–	Property development and sales
上海城大水处理科技有限公司 (Shanghai Cheng Da Water Treatment Technology Co., Ltd.)	The PRC 5th August 2002	RMB1,000,000	–	40.5% (note)	Provision of water sewage
上海萬頃物業發展有限公司 (Shanghai Wan Qing Properties Development Co., Ltd.)	The PRC 30th August 1997	RMB2,000,000	–	54%	Property processing service management
Shanghai Shen Da Properties	The PRC 10th December 1992	RMB5,000,000	60%	–	Property development and sales
Shanghai International Commercial City	The PRC 18th September 1992	RMB100,000,000	60%	–	Property development and sales
上海襄陽服飾禮品市場經營管理有限公司 (Shanghai Xiangyang Costume and Gift Market Management Co., Ltd.)	The PRC 3rd August 2006	RMB1,000,000	–	57%	Inactive
Shanghai Wan Yuan	The PRC 17th May 1999	RMB300,000,000	90%	–	Property development and sales
Shanghai Shilong	The PRC 2nd August 1993	RMB20,000,000	100%	–	Property development and sales
Hunan Depu	The PRC 9th March 2004	RMB20,000,000	55%	–	Property development and sales
Changsha Chengpu	The PRC 19th August 2004	RMB102,110,000	–	54.9%	Property development and sales
Shanghai Sen Xin	The PRC 14th April 2004	RMB30,000,000	54%	–	Securities trading
Kunshan Urban Development	The PRC 5th July 2004	RMB100,000,000	90%	–	Property development and sales
上海麥其房產發展有限公司 (Shanghai Maiqi Real Estate Development Co., Ltd.)	The PRC 15th October 2002	USD15,000,000	100%	–	Property development and sales

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

Name of subsidiary	Place and date of establishment/ operation	Issued and fully paid registered capital	Percentage of equity interest attributable to Urban Development		Principal activities
			Direct	Indirect	
上海達滙房產公司 (Shanghai Da Hui Real Estate Co.)	The PRC 30th March 1991	USD11,600,000	51%	–	Property development and sales
Shanghai Assets and Equity Agency	The PRC 16th May 2001	RMB1,000,000	80%	–	Property development and sales
Shanghai Foreign Trade	The PRC 3rd January 2001	RMB5,000,000	100%	–	Agency of import and export goods
Shanghai Hefei	The PRC 1st March 2006	RMB100,000,000	100%	–	Property development and sales
上海紙盒十六廠 (Shanghai Carton 16th Factory)	The PRC 20th July 1981	RMB825,686	100%	–	Manufacturing of paper products
上海城開材料技術發展有限公司 (Shanghai Urban Development Materials Technology Development Co., Ltd.)	The PRC 31st July 2002	RMB12,300,000	51%	–	Property development and sales
海口萬事達實業有限公司 (Haikou Master Industrial Co., Ltd.)	The PRC 4th October 1992	RMB1,000,000	100%	–	Inactive
Shanghai Huanyu	The PRC 17th May 1996	RMB803,528,640	60%	–	Property development and sales

*Note:* Shanghai Cheng Da Water Treatment is 50% held by Shanghai Residential Settlement, a 51% owned subsidiary of Urban Development and 25% held by Shanghai Shen Da Properties, a 60% owned subsidiary of Urban Development. As Urban Development controls the composition of the board of directors of Shanghai Cheng Da Water Treatment, it is therefore accounted for as a subsidiary of Urban Development.

## APPENDIX II

## FINANCIAL INFORMATION ON SHANGHAI URBAN DEVELOPMENT

In addition to the above, the subsidiaries, which were the subsidiaries comprising the Urban Development Group at 31st July 2007, were disposed of subsequent to 31st July 2007 and their information are summarised as follows:

Name of subsidiary	Place and date of establishment/ operation	Issued and fully paid registered capital	Percentage of equity interest attributable to Urban Development		Principal activities
			Direct	Indirect	
Shanghai Jiadeli	The PRC 24th March 1988	RMB50,000,000	82.2%	–	Supermarket business
上海家得利超市啓東有限公司 (Shanghai Jiadeli Supermarket Qi Dong Co., Ltd.)	The PRC 6th November 2003	RMB500,000	–	73.98%	Supermarket business
上海家得利龍鎮超市有限公司 (Shanghai Jiadeli Dragon Town Supermarket Co., Ltd.)	The PRC 13th April 2004	RMB500,000	–	73.98%	Supermarket business
上海家得利河南北超市有限公司 (Shanghai Jiadeli Northern Hebei Supermarket Co., Ltd.)	The PRC 21st July 2004	RMB500,000	–	73.98%	Supermarket business
Shanghai Jiadeli Goods Distribution	The PRC 12th August 2004	RMB10,000,000	–	73.98%	Provision of logistic and management services
上海好家利生鮮食品有限公司 (Shanghai Hao Jia Li Fresh Food Co., Ltd.)	The PRC 17th June 2006	RMB1,000,000	–	65.76%	Supermarket business

**B. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Urban Development Group, Urban Development or any of the companies comprising the Urban Development Group in respect of any period subsequent to 31st July 2007.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong



1. UNAUDITED PRO FORMA INFORMATION OF THE ENLARGED GROUP  
AFTER COMPLETION(A) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group  
after Completion

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, assuming that the Proposed Acquisition had been completed as at 30th June, 2007 for the purpose of illustrating how the transaction might have affected the financial position of the Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on the unaudited consolidated balance sheet of the Group as at 30th June, 2007 as extracted from the interim report of the Company for the six months ended 30th June, 2007 and the audited consolidated accounts of Urban Development Group as at 31st July, 2007 as set out in Appendix II to this circular.

The unaudited pro forma statement of assets and liabilities is prepared to provide financial information of the Enlarged Group as a result of the completion of the Proposed Acquisition. As it is prepared for illustrative purpose only, it may not purport to present what the assets and liabilities of the Enlarged Group are on the completion of the Proposed Acquisition.

	<b>The Group as at 30th June, 2007 HK\$'000 (Note 1(a)) Unaudited</b>	<b>Urban Development Group as at 31st July, 2007 HK\$'000 (Note 1(b)) Audited</b>	<i>Note</i>	<b>Adjustments HK\$'000</b>	<b>Unaudited Proforma HK\$'000</b>
Non-Current Assets					
Investment properties	71,010	354,052			425,062
Property, plant and equipment	2,861,775	309,824	2	-3,048	3,168,551
Prepaid lease payments – non-current portion	248,506	4,473			252,979
Toll road operating right	1,742,039	–			1,742,039
Other intangible assets	75,564	–			75,564
Goodwill	428,124	–	3	732,649	1,160,773
Interests in jointly controlled entities	1,177,423	–			1,177,423
Interests in associates	3,678,444	84,875			3,763,319
Available-for-sale investments	366,251	48,315			414,566
Loan receivables – non-current portion	3,322	–			3,322
Deposit paid on acquisition of a jointly controlled entity	225,662	–			225,662

# APPENDIX III

# FINANCIAL INFORMATION ON THE ENLARGED GROUP

	<b>The Group as at 30th June, 2007 HK\$'000 (Note 1(a)) Unaudited</b>	<b>Urban Development Group as at 31st July, 2007 HK\$'000 (Note 1(b)) Audited</b>	<i>Note</i>	<b>Adjustments HK\$'000</b>	<b>Unaudited Proforma HK\$'000</b>
Deposits paid on acquisition of property, plant and equipment	833,187	–			833,187
Restricted bank deposits	–	66,297			66,297
Deferred tax assets	23,520	51,765			75,285
	<u>11,734,827</u>	<u>919,601</u>			<u>13,384,029</u>
<b>Current Assets</b>					
Inventories	1,324,386	5,907,071	4	3,568,524	10,799,981
Trade and other receivables	2,797,473	455,157	5	1,058,361	4,310,991
Prepaid lease payments – current portion	7,035	141			7,176
Financial assets at fair value through profit or loss	1,439,957	40,025			1,479,982
Loan receivables – due within one year	–	33,188			33,188
Amounts due from minority shareholders of subsidiaries	–	1,042,423	5	-1,042,423	–
Amounts due from associates	–	15,938	5	-15,938	–
Taxation recoverable	–	33,480			33,480
Pledged bank deposits	132,800	–			132,800
Short-term bank deposits	720,562	–			720,562
Bank balances and cash	6,511,596	3,295,877	6	-1,634,070	8,173,403
	<u>12,933,809</u>	<u>10,823,300</u>			<u>25,691,563</u>
<b>Current Liabilities</b>					
Trade and other payables	1,885,755	3,249,705	7	522,421	5,657,881
Amount due to Xuhui SAAC	–	262,083	7	-262,083	–
Amounts due to minority shareholders of subsidiaries	–	207,522	7	-207,522	–
Amounts due to associates	–	52,816	7	-52,816	–
Financial guarantee obligations	–	3,006			3,006

# APPENDIX III

# FINANCIAL INFORMATION ON THE ENLARGED GROUP

	<b>The Group as at 30th June, 2007 HK\$'000 (Note 1(a)) Unaudited</b>	<b>Urban Development Group as at 31st July, 2007 HK\$'000 (Note 1(b)) Audited</b>	<i>Note</i>	<b>Adjustments HK\$'000</b>	<b>Unaudited Proforma HK\$'000</b>
Taxation payable	135,562	468,884			604,446
Short-term bank and other borrowings	547,105	2,010,417			2,557,522
Loan from a related party	–	143,229			143,229
	<u>2,568,422</u>	<u>6,397,662</u>			<u>8,966,084</u>
Net Current Assets	<u>10,365,387</u>	<u>4,425,638</u>			<u>16,725,479</u>
Total Assets Less Current Liabilities	<u>22,100,214</u>	<u>5,345,239</u>			<u>30,109,508</u>
Capital and Reserves					
Share capital	96,953	313,885	8	-313,885	96,953
Share premium and reserves	<u>18,075,677</u>	<u>2,731,942</u>	9	-2,731,942	<u>18,075,677</u>
Equity attributable to equity holders of the Company	18,172,630	3,045,827			18,172,630
Minority interests	<u>2,229,472</u>	<u>621,193</u>	10	4,288,849	<u>7,139,514</u>
Total Equity	<u>20,402,102</u>	<u>3,667,020</u>			<u>25,312,144</u>
Non-Current Liabilities					
Long-term bank and other borrowings	1,586,824	916,667			2,503,491
Loan from a related party	–	520,833			520,833
Deferred tax liabilities	<u>111,288</u>	<u>240,719</u>	11	1,421,033	<u>1,773,040</u>
	<u>1,698,112</u>	<u>1,678,219</u>			<u>4,797,364</u>
	<u>22,100,214</u>	<u>5,345,239</u>			<u>30,109,508</u>

*Note:*

- 1(a) The figures are extracted from the Group's interim report for the six months ended 30th June, 2007 dated 30th August, 2007.
- 1(b) The figures are extracted from the financial information set out in Appendix II to this circular and translated into HK\$ at the exchange rate of RMB0.96 to HK\$1.
2. Fair value adjustment extracted from the valuation report as at 30th September, 2007 as set out in Appendix IV to this circular and translated into HK\$ at the exchange rate of RMB0.96 to HK\$1. The followings show the reconciliation of property, plant and equipment between amount shown in Appendix II and IV.

## APPENDIX III

## FINANCIAL INFORMATION ON THE ENLARGED GROUP

Reconciliation of Property, Plant and Equipment:

'000

Per valuation report as at 30th September 2007, as set out in Appendix IV to this circular	RMB86,440
Carrying value of properties	<u>RMB(89,366)</u>
Fair value adjustments	<u>RMB(2,926)</u>
Translate to HK dollar equivalent	<u>HK\$(3,048)</u>

3. The adjustment represents goodwill arising from the acquisition of 19% equity interest in Shanghai Urban Development based on the consideration of the acquisition paid over the fair value of the identifiable assets and liabilities of Urban Development Group as at 31st July, 2007 and the fair value of properties was extracted from the valuation report as at 30th September 2007 as set out in Appendix IV to this circular. The effect of acquisition of 40% equity interest in Shanghai Urban Development in July 2007 has not been taken into account as it is not directly attributable to the transaction. The followings show the calculation of goodwill recognised on acquisition.

	As at 31/7/2007 RMB'000	As at 31/7/2007 HKD'000 equivalent
Net assets attributable to equity holders of Shanghai Urban Development extracted from accountants' report to this circular	2,923,993	3,045,827
Fair value adjustment on inventories of Urban Development Group	3,425,783	3,568,524
Fair value adjustment on property, plant and equipment of Urban Development Group	(2,926)	(3,048)
Deferred tax liabilities recognised in respect of fair value adjustment of Urban Development Group	(1,364,192)	(1,421,033)
Fair value adjustment on property net of deferred tax shared by minority interests of Urban Development Group	<u>(428,111)</u>	<u>(445,949)</u>
	4,554,547	4,744,321
Minority interests (81% share of fair value of Urban Development Group)	<u>(3,689,184)</u>	<u>(3,842,900)</u>
19% share of fair value of net assets of Urban Development Group attributable to the Company	865,363	901,421
Consideration paid	<u>(1,568,707)</u>	<u>(1,634,070)</u>
Goodwill on acquisition of 19% equity interest of Shanghai Urban Development	<u>703,344</u>	<u>732,649</u>

4. Fair value adjustment extracted from the valuation report as at 30th September 2007 as set out in Appendix IV to this circular and translated into HK\$ at the exchange rate of RMB0.96 to HK\$1. The followings show the detailed reconciliation of inventories between amount shown in Appendix II and IV.

Reconciliation of inventories:

'000

Per valuation report as at 30th September 2007 as set out in Appendix IV to this circular	RMB8,791,240
Carrying value of properties under development held for resale	RMB(5,227,689)
Carrying value of properties held for resale	<u>RMB(137,768)</u>
Fair value adjustments	<u>RMB3,425,783</u>
Translate to HK dollar equivalent	<u>HK\$3,568,524</u>

5. The adjustment represents the reclassification of amount due from minority shareholders of subsidiaries and associates to trade and other receivables.
6. The adjustment represents cash payment for the consideration paid by the Company to acquire 19% equity interest in Shanghai Urban Development. On 29th October, 2007, the Company entered into an equity transfer contract with Xuhui SAAC at a cash consideration of HK\$1,634,070,000 to acquire for 19% equity interest in Shanghai Urban Development.
7. The adjustment represents the reclassification of amount due to Xuhui SAAC, minority shareholders of subsidiaries and associates to trade and other payables.
8. The adjustment represents the elimination of capital of Shanghai Urban Development upon consolidation.
9. The adjustment represents the elimination of share premium and reserves of Shanghai Urban Development upon consolidation.
10. The adjustment represents the share of fair value of the identifiable assets and liabilities of Urban Development Group by the minority shareholders of Urban Development Group.
11. The adjustment represents the related deferred tax on the land appreciation tax and the fair value adjustments of the assets of Urban Development Group.

**(B) Accountants' Report on Unaudited Pro Forma Financial Information of the  
Enlarged Group after Completion**

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

**Deloitte.**  
**德勤**

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL  
INFORMATION****TO THE DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as enlarged upon the completion of the acquisition of 19% equity interest in Shanghai Urban Development (Holdings) Co., Ltd. ("Shanghai Urban Development") (hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of 19% equity interest in Shanghai Urban Development might have affected the financial information presented, for inclusion in Appendix III of the circular dated 19th December 2007 (the "Circular"). The basic of preparation of the unaudited pro forma financial information is set out on page 173 to this Circular.

**Respective responsibilities of directors of the Company and reporting accountants**

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

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Enlarged Group as at 30th June, 2007 or any future date.

**Opinion**

In our opinion:

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
19th December, 2007

**3. INDEBTEDNESS****Borrowings**

As at the close of business on 31st October 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

	<i>HK\$'000</i>
Bank loans	
– secured	2,045,635
– unsecured ( <i>note</i> )	<u>2,564,997</u>
	<u>4,610,632</u>
Other loans	
– secured	17,552
– unsecured	<u>16,330</u>
	<u>33,882</u>
	<u><u>4,644,514</u></u>

*Note:* Included in unsecured bank loans is approximately HK\$26,042,000 which is guaranteed by a minority shareholder of a subsidiary and is secured by the land and buildings of this minority shareholder.

	<i>HK\$'000</i>
Others	
– consideration payable to a former shareholder of a subsidiary	<u>622,873</u>
– amount due to Xuhui SAAC	<u>427,062</u>
– amounts due to minority shareholders of subsidiaries	<u>11,454</u>
– amounts due to associates	<u>59,885</u>

The maturity of the bank loans and other loans are as follows:

	<i>HK\$'000</i>
Within one year	2,399,222
More than one year	<u>2,245,292</u>
	<u><u>4,644,514</u></u>



**Pledge of assets**

As at 31st October 2007, the following assets were pledged by the Enlarged Group to banks in order to secure general banking facilities granted by these banks to the Enlarged Group:

- a. plant and machinery with a carrying value of approximately HK\$26,617,000;
- b. leasehold land and buildings with a carrying value of approximately HK\$350,679,000;
- c. motor vehicles with a carrying value of approximately HK\$109,000;
- d. bank deposits of approximately HK\$7,800,000;
- e. investment properties with a carrying value of approximately HK\$325,250,000;
- f. properties under development held for resale with a carrying value of approximately HK\$1,397,383,000; and
- g. properties held for resale with a carrying value of approximately HK\$24,328,000.

**Contingent liabilities**

As at 31st October 2007, the Enlarged Group had given guarantees to banks in respect of banking facilities utilised by:

	<i>HK\$'000</i>
– associates	184,917
– a jointly controlled entity	145,833
– an entity controlled by Xuhui SAAC	<u>714,583</u>
	<u><u>1,045,333</u></u>

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, and normal trade and other payables, at the close of business on 31st October 2007, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, term loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

**4. WORKING CAPITAL**

The Directors are of the opinion that, taking into account its internal resources and the present available banking facilities, the Enlarged Group will, immediately following the completion of the Proposed Acquisition, have sufficient working capital for its present requirements for the next twelve months from the date of this circular.



10th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

19th December 2007

The Directors  
Shanghai Industrial Holdings Limited  
26th Floor, Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

#### **Instructions, Purpose & Date of Valuation**

In accordance with your instructions for us to value the properties of Shanghai Urban Development (Holdings) Co., Ltd. (referred to as “Shanghai Urban Development”) and its subsidiaries (together referred to as the “Urban Development Group”) in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30th September 2007.

#### **Definition of Market Value**

Our valuation of each property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors 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”.

#### **Valuation Basis And Assumptions**

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that transferable land use rights in respect of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information and advice given by the Urban Development Group and the legal adviser of Shanghai Industrial Holdings Limited (the “Company”) on PRC laws, Allbright Law Offices (上海市錦天城律師事務所)

respectively, regarding the title to each of the properties and the interests of the Urban Development Group in the properties. In valuing the properties, we have assumed that the Urban Development Group has an enforceable title to each of the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Urban Development Group and the advice provided by Allbright Law Offices, are set out in the notes in the respective valuation certificate.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules of Hong Kong Stock Exchange and Clearing Limited and the Valuation Standards (First Edition 2005) on Valuation of Properties published by The Hong Kong Institute of Surveyors.

### **Method of Valuation**

In valuing the properties in Groups I and II which are held by the Urban Development Group in the PRC under development and for future development respectively, we have valued each of these properties on the basis that these properties will be developed and completed in accordance with the Urban Development Group's latest development proposals provided to us. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the construction costs that will be expended to complete the development to reflect the quality of the completed development. The "Capital value when completed" represents our opinion of the aggregate selling prices of the development assuming that it would have been completed at the date of valuation.

In valuing the properties in Group III which is owned and occupied and the properties in Group V which is held by the Urban Development Group for sale in the PRC respectively, we have valued each of these properties by the direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In valuing the properties in Group IV which is held for investment by the Urban Development Group in the PRC, we have valued each of them by the direct comparison method by making reference to comparable sales evidences as available in the relevant market and where appropriate, by capitalizing the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties.

For the purpose of our valuation, completed properties refer to those properties the individual Construction Works Certified Report or Construction Works Completion Inspection Report of the building(s) thereof is (are) issued by the relevant government department(s).

For the purpose of our valuation, properties under development are those properties that the Permit for Commencement of Construction Works have been issued but the individual Construction Works Certified Report or Construction Works Completion Inspection Report of the building(s) thereof is (are) not issued. Whereas, properties held for future development refer to those properties the Permit for Commencement of Construction Works is (are) not issued while the Certificate of Real Estate Ownership or the Certificates for State-owned Land Use Rights have been obtained.

### **Source of Information**

In respect of the properties in the PRC, we have been provided with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Urban Development Group and advice given by the Company's PRC legal advisers on PRC law, Allbright Law Offices (上海市錦天城律師事務所), in respect of the properties in the PRC and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, joint venture agreements, articles of association, development schemes, construction costs, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Urban Development Group which is material to the valuations. We were also advised by the Urban Development Group that no material facts have been omitted from the information provided.

### **Site Inspection**

We have inspected the exterior and, where possible, the interior of each of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. 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.

**Currency & Exchange Rates**

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Andrew K. F. Chan**  
*Registered Professional Surveyor (GP)*  
*China Real Estate Appraiser*  
MSc., M.H.K.I.S., M.R.I.C.S  
*Director*

*Note:* Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in the PRC.

## SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group %	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
<b>Group I – Properties held by the Urban Development Group under development in the PRC</b>			
1 A proposed commercial building situated at No. 386 Guangyuan Road West, Xuhui District, Shanghai, the PRC	727,000,000	100	727,000,000
2 The proposed Tian Ji Xiang Jiang Fu situated at Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	410,000,000	55	225,500,000
3 The proposed Wan Yuan City situated at Lots B, C, D, E and F, Wan Yuan Residential Area, Minhang District, Shanghai, the PRC	4,008,000,000	90	3,607,200,000
4 The proposed Shencheng Garden situated at The 2nd Ring South Road, Hefei, Anhui Province, the PRC	414,000,000	100	414,000,000
5 The proposed Kun Cheng Di Jing Yuan situated at south of Yingbin Road, west of Han Pu Tang, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	428,000,000	90	385,200,000
<b>Sub-total:</b>	<u>5,987,000,000</u>		<u>5,358,900,000</u>

		Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group <i>%</i>	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
Group II – Properties held by the Urban Development Group for future development in the PRC				
6	A parcel of composite land situated at Site 88, 150 Jiefang, Xujiahui, Xuhui District, Shanghai, the PRC	2,520,000,000	60	1,512,000,000
7	A parcel of residential land situated at No. 42 Fuxing Road West, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
8	A parcel of residential land situated at west of No. 22, Lane 203, Kangping Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
Sub-total:		2,520,000,000		1,512,000,000



Property	Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group <i>%</i>	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
<b>Group III – Properties owned and occupied by the Urban Development Group in the PRC</b>			
9 Portion of a residential building situated at No. 7 Lane 1057, Zhongshan South 2nd Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
10 Blocks 1, 2 and 8 situated at No. 776 Luoxiu Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
11 20 office units on Levels 8, 9 and 10 and 12 car parks situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	83,660,000	100	83,660,000
12 Villa C10 situated at South Area of Shanghai Labour Union Holiday Resort, Shajiabang Town, Changshu, Jiangsu Province, the PRC	2,780,000	100	2,780,000
13 An office building situated at No. 4, Lane 393, Xiangyang Road South, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
<b>Sub-total:</b>	<u>86,440,000</u>		<u>86,440,000</u>

		Capital value in existing state as at 30th September 2007	Attributable interest to the Urban Development Group	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group
Property		RMB	%	RMB
Group IV – Properties held by the Urban Development Group for investment in the PRC				
14	Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	34,240,000 <i>(see Note 1)</i>	100	34,240,000
15	A commercial building and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	No Commercial Value <i>(see Note 2)</i>	100	No Commercial Value
16	A detached villa situated at No. 3 Lane 16, Gaoyou Road, Xuhui District, Shanghai, the PRC	No Commercial Value <i>(see Note 3)</i>	100	No Commercial Value
17	A detached villa situated at No. 11 Lane 905, Huashan Road, Xuhui District, Shanghai, the PRC	No Commercial Value <i>(see Note 4)</i>	100	No Commercial Value
Sub-total:		34,240,000		34,240,000

*Note 1* In respect of property no. 14, we issued a report on 15th December 2007 regarding valuation of the property as at 31st July, 2007. The capital value in existing state as at 31st July 2007 of the property was RMB34,240,000 and the capital value in existing state as at 31st July 2007 of the property attributable to the Urban Development Group was RMB34,240,000.

*Note 2* In respect of property no. 15, we issued a report on 15th December 2007 regarding valuation of the property as at 31st July, 2007. We have ascribed no commercial value to the property as at 31st July 2007 since the land use rights of the property are in allocation nature which are subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 31st July 2007 would be RMB278,000,000.

*Note 3* In respect of property no. 16, we issued a report on 15th December 2007 regarding valuation of the property as at 31st July, 2007. We have ascribed no commercial value to the property as at 31st July 2007 since the land use rights of the property are in allocation nature which are subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 31st July 2007 would be RMB13,560,000.

*Note 4* In respect of property no. 17, we issued a report on 15th December 2007 regarding valuation of the property as at 31st July, 2007. We have ascribed no commercial value to the property as at 31st July 2007 since the land use rights of the property are in allocation nature which are subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 31st July 2007 would be RMB14,090,000.

Property	Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group <i>%</i>	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
<b>Group V – Properties held by the Urban Development Group for sale in the PRC</b>			
18 Units 307, 602 and 1501, No. 1, Lane 338, Dong'an Road, Xuhui District, Shanghai, the PRC	No Commercial Value	76.47	No Commercial Value
19 2 townhouse units situated at Nos. 80 and 82, Lane 280, Wukang Road, Xuhui District, Shanghai, the PRC	8,470,000	100	8,470,000
20 4 residential units and 4 car parks situated at Nos. 2, 7 and 10, Lane 568, Julu Road, Xuhui District, Shanghai, the PRC	9,860,000	100	9,860,000
21 16 shops situated at Lanes 1187 and 1351 Nanmatou Road, Pudong New District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
22 6 residential units situated at Nos.73 and 74, Lane 301, Sanjiang Road, Xuhui District, Shanghai, the PRC	7,510,000	100	7,510,000
23 3 residential units and 1 shop situated at Caoxi 2nd Village, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value

Property	Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group %	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
24 6 residential units situated at Nos. 39, 41 and 42, Lane 300, Qinzhou Road South, Xuhui District, Shanghai, the PRC	2,750,000	100	2,750,000
25 14 residential units situated at Nos.1-5, 24, 49 and 57, Lane 301, Sanjiang Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
26 Unit 102, No. 80 Changqiao 3rd Village, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
27 12 residential units and 7 shops situated at Lanes 9, 14 and 30, Guilin Street West, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
28 3 residential units situated at Lanes 50, 51 and 105 Dongquan Road, Xuhui District, Shanghai the PRC	No Commercial Value	100	No Commercial Value

	Property	Capital value	Attributable	Capital value
		in existing state as at 30th September 2007 RMB	interest to the Urban Development Group %	in existing state as at 30th September 2007 attributable to the Urban Development Group RMB
29	3 residential units situated at No.1 Lane 105 Taiyuan Road and No. 425 Yongjia Road, Xuhui District, Shanghai, the PRC	5,730,000	100	5,730,000
30	12 residential units situated at Lane 25, Wuxing Road, Xuhui District, Shanghai, the PRC	43,070,000	100	43,070,000
31	2 residential units and 2 car parks situated at No. 2, Lane 178, Hongqiao Road, Xuhui District, Shanghai, the PRC	6,430,000	100	6,430,000
32	9 residential units, a clubhouse and 229 car parks situated at Lane 168, Nandan Road East and No. 318 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	112,390,000	100	112,390,000
33	A club house, an office building and several shops situated at Nos. 1 to 21, Lane 88 and Nos. 32-68 (even), Sanjiang Road, Xuhui District, Shanghai, the PRC	72,090,000	100	72,090,000

Property	Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group %	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
34 3 residential units situated at Lane 14 Guilin Street West, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
35 Unit 308, No. 4, Lane 1057 Zhongshan South 2nd Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
36 Unit 703, No.204 Guanshengyuan Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
37 2 residential units situated at Lane 191 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
38 Unit 505, No. 629 Guangyuan Road West, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
39 Unit 904 No.59, Lane 380 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	2,120,000	100	2,120,000

	Property	Capital value in existing state as at 30th September 2007	Attributable interest to the Urban Development Group	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group
		RMB	%	RMB
40	2 residential units situated at Lane 15 Guilin Street West, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
41	2 residential units situated at Lanes 50 and 60 Yishan Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
42	Unit 106, No.1, Lane 111 Huarong Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
43	Unit 302, No.13 Dong'an 5th Village, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
44	Units 602 and 204 No.28 Lane 30 Guilin Street West, Xuhui District, Shanghai, the PRC	1,220,000	100	1,220,000
45	Several shops situated at Nos. 117-123 Shilong Road, Xuhui District, Shanghai, the PRC	2,990,000	100	2,990,000

	Property	Capital value in existing state as at 30th September 2007	Attributable interest to the Urban Development Group	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group
		RMB	%	RMB
46	Several shops situated at Nos. 101-115 Shilong Road and Nos. 5, 68 and 72 Dongquan Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
47	7 residential units situated at Nos. 4 and 5, Yu Lan Hua Yuan, Caoxi Road North, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
48	2 shops situated at No.30 Gao'an Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
49	Units 203 and 2403, No.1 Lane 47 Gao'an Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
50	Portion of Level 4, No. 35 Leshan Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
51	A car park situated at Nos. 1-2, Lane 99 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	180,000	100	180,000



Property	Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group %	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
52 Unit 801, Block 21, Lane 45, Yude Road, Xuhui District, Shanghai, the PRC	No Commercial Value	100	No Commercial Value
53 Various units with use rights in Shanghai, the PRC	No Commercial Value	100	No Commercial Value
54 3 shops situated at Nos. 723, 725 and 727, Longchuan Road North, Xuhui District, Shanghai, the PRC	1,980,000	95	1,881,000
55 An industrial complex situated at Longchuan Road North and Luocheng Road, Xuhui District, Shanghai, the PRC	No Commercial Value	95	No Commercial Value
56 Unit 603, No. 1, Lane 2666, Hongmei Road, Xuhui District, Shanghai, the PRC	520,000	51	265,200
57 2 residential units situated at No. 50, Lane 1000, Huajin Road, Xuhui District, Shanghai, the PRC	970,000	51	494,700

Property	Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group %	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
58 A residential unit situated at Lane 1296, Laohumin Road, Xuhui District, Shanghai, the PRC	250,000	51	127,500
59 Unit 401, No. 3, Lane 38, Shajiabang Road, Xuhui District, Shanghai, the PRC	590,000	51	300,900
60 Units 1008 and 1508, No. 23 Meilong 8th Village, Xuhui District, Shanghai, the PRC	1,370,000	51	698,700
61 Unit 602, No. 23 Luoxiu 2nd Village, Xuhui District, Shanghai, the PRC	670,000	51	341,700
62 Unit 602, No.115, Block 7, Hongbao 1st Village, Xidu Town, Fengxian District, Shanghai, the PRC	210,000	51	107,100
63 7 residential units situated at Xidu Town, Fengxian District, Shanghai, the PRC	No Commercial Value	51	No Commercial Value

Property	Capital value in existing state as at 30th September 2007 <i>RMB</i>	Attributable interest to the Urban Development Group %	Capital value in existing state as at 30th September 2007 attributable to the Urban Development Group <i>RMB</i>
64 14 residential units situated at Nos. 143, 153 and 155, Hanghua 1st Village, Minhang District, Shanghai, the PRC	No Commercial Value	51	No Commercial Value
65 Unit 101, No. 26, Zone 4, Lane 3118, Yindu Road, Minhang District, Shanghai, the PRC	380,000	51	193,800
66 Unit 403, No. 228 Wulumuqi Road South, Xuhui District, Shanghai, the PRC	2,490,000	60	1,494,000
67 16 residential units situated at Lane 1375 Pingyang Road, Minhang District, Shanghai, the PRC	No Commercial Value	90	No Commercial Value
<b>Sub-total:</b>	<u>284,240,000</u>		<u>280,714,600</u>
<b>Grand-total:</b>	<u><u>8,911,920,000</u></u>		<u><u>7,272,294,600</u></u>

**Group I – Properties held by the Urban Development Group under development in the PRC**

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2004) 006876 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 11th February 2004, the land use rights of the property, comprising a site area of 8,695 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 8th October 2003 to 7th October 2053 for composite use.

- (2) According to Contract for Grant of Land Use Rights No. (2003)51 entered into between Shanghai Xuhui District Housing and Land Administration Bureau (上海市徐匯區房屋土地管理局) (“Party A”) and Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) (“Party B”) on 8th October 2003, Party A has agreed to grant the land use rights of the property with details as follows:—
- |       |               |   |   |
|-------|---------------|---|---|
| (i)   | Location      | : | No. 386 Guangyuan Road West, Xuhui District, Shanghai |
| (ii)  | Site area     | : | 8,695 sq.m.   |
| (iii) | Land use term | : | 50 years  |
| (iv)  | Land premium  | : | RMB16,380,000   |
| (v)   | Land use fee  | : | RMB1 per sq.m. of site area per annum                 |
- (3) According to Planning Permit for Construction Land No. (2002)042 issued by Shanghai Xuhui District Urban Planning Administration Bureau (上海市徐匯區城市規劃管理局) on 30th December 2002, the property is permitted to be developed with a site area of approximately 9,136 sq.m..
- (4) According to Approval for Construction Land No. (2003)57 issued by Shanghai Xuhui District Housing and Land Administration Bureau (上海市徐匯區房屋土地管理局) on 15th December 2003, the property is permitted to be developed with a site area of 8,695 sq.m..
- (5) According to Planning Permit for Construction Works No. (2004)092 issued by Shanghai Xuhui District Urban Planning Administration Bureau (上海市徐匯區城市規劃管理局) on 30th December 2004, the property is permitted to be developed at a construction scale of 34,820 sq.m. above ground area and 10,299 sq.m. under ground area. We have based on such conditions to carry out the valuation.
- (6) According to the Permit for Commencement of Construction Works No. 0302XH0079D01/310104200308291501 issued by Shanghai Xuhui District Construction and Administration Bureau (上海市徐匯區建設和管理委員會) on 17th February 2004, the commencement of construction works of the property at a construction scale of 45,000 sq.m., has been permitted.
- (7) As advised by the Urban Development Group, as at 30th September 2007, the total development cost expended on the proposed development was approximately RMB213,527,899. We have taken into account such cost in our valuation.
- (8) We are of the opinion that the “Capital value when completed” of the property, assuming it was completed in accordance with the development scheme provided to us by the Urban Development Group and sale on a strata-titled basis with immediate vacant possession as at the date of valuation was in the sum of RMB900,000,000.
- (9) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (10) We have been provided with a legal opinion on the property prepared by the Company’s legal advisors, which contains, inter alia, the following information:—
- |       |  |
|-------|--|
| (i)   | According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000; |
| (ii)  | Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has settled all the land premium of the property as stated in the Contract for Grant of Land Use Rights;  |
| (iii) | According to Shanghai Certificate of Real Estate Ownership No. (2004) 006876 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 11th February 2004, Shanghai Urban Development (Holdings) Co., Ltd.                           |

(上海城開(集團)有限公司) has obtained the land use rights of the property, comprising a site area of 8,695 sq.m. for a land use term from 8th October 2003 to 7th October 2053 for composite use;

- (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights of the property with the residual term of its land use rights at no extra land premium payable to the government;
  - (v) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained Shanghai Certificate of Real Estate Ownership, Contract for Grant of Land Use Rights, Approval for Construction Land, Planning Permit for Construction Land, Planning Permit for Construction Works and other relevant approval documents; Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) owns the legally whole ownership to develop and operate of the development of the Property;
  - (vi) The land use rights of the property is subject to a mortgage in favour of China Construction Bank Shanghai Xuhui Branch to an extent of RMB170,000,000;
  - (vii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to transfer and re-mortgage the land use rights of the property subject to the consent of the mortgagee; and
  - (viii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) owns the ownership of the construction in progress of the property and is entitled to transfer, mortgage and other disposals.
- (11) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Land	Yes
Approval for Construction Land	Yes
Permit for Commencement of Construction Works	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007																					
2	The proposed Tian Ji Xiang Jiang Fu situated at Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	<p>The property comprises a site with a site area of 180,541.33 sq.m. (1,943,347 sq.ft.).</p> <p>The property is planned to be developed to a residential/commercial development scheduled for completion in 2009.</p> <p>As advised by the Urban Development Group, upon completion, the property is planned to have a total gross floor area of approximately 193,683 sq.m. (2,084,804 sq.ft.) with details as follows:—</p> <table><tr><th>Portion</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><td></td><td><i>sq.m.</i></td><td><i>sq.ft.</i></td></tr><tr><td>Residential</td><td>163,479</td><td>1,759,688</td></tr><tr><td>Commercial</td><td>6,000</td><td>64,584</td></tr><tr><td>Ancillary</td><td>4,750</td><td>51,129</td></tr><tr><td>Basement</td><td><u>19,454</u></td><td><u>209,403</u></td></tr><tr><td></td><td><u>193,683</u></td><td><u>2,084,804</u></td></tr></table> <p>The land use rights of the property have been granted for a term due to expire on 31st August 2074 for residential use.</p>	Portion	Approximate Gross Floor Area			<i>sq.m.</i>	<i>sq.ft.</i>	Residential	163,479	1,759,688	Commercial	6,000	64,584	Ancillary	4,750	51,129	Basement	<u>19,454</u>	<u>209,403</u>		<u>193,683</u>	<u>2,084,804</u>	The property is under construction.	<p>RMB410,000,000</p> <p>(55% interest attributable to the Urban Development Group: RMB225,500,000)</p>
Portion	Approximate Gross Floor Area																								
	<i>sq.m.</i>	<i>sq.ft.</i>																							
Residential	163,479	1,759,688																							
Commercial	6,000	64,584																							
Ancillary	4,750	51,129																							
Basement	<u>19,454</u>	<u>209,403</u>																							
	<u>193,683</u>	<u>2,084,804</u>																							

Notes:—

- (1) According to 5 Certificates for the Use of State-owned Land all issued by Changsha Land Resources Bureau (長沙市國土資源局) on 24th March 2006, the land use rights of the property, comprising a total site area of 180,541.33 sq.m., have been vested in Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) for a land use term due to expire on 31st August 2074 for residential use with details as follows:—

Certificate No.	Site No.	Site Area (sq.m.)	Site Area for Planning Road (sq.m.)	Site Area for Green Belt (sq.m.)
(2006)008516	1040034	24,224.89	5,637.84	631.71
(2006)008517	1040035	41,255.55	2,610.98	—
(2006)008518	1040036	27,432.81	2,624.18	—
(2006)008519	1040037	68,312.65	5,991.18	1,461.82
(2006)008520	1040038	19,315.43	3,160.62	—
		<u>180,541.33</u>	<u>20,024.80</u>	<u>2,093.53</u>

- (2) According to Contract for Grant of Land Use Rights No. 20050169 entered into between Changsha Land Resources Bureau (長沙市國土資源局) (“Party A”) and Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) (“Party B”) on 13th August 2005, Party A has agreed to grant the land use rights of the property with details as follows:–

(i)	Location	:	North to Xiangfu Road, Yuhua District
(ii)	Site area	:	180,542.46 sq.m.
(iii)	Use	:	Residential
(iv)	Land use term	:	Due to expire on 31st August 2074 from the date of handover of the land
(v)	Plot ratio	:	Not more than 1.8

- (3) According to Planning Permit for Construction Land No. (2004)0371 issued by Changsha Urban Planning Administration Bureau (長沙市規劃管理局) on 26th January 2005, the property is permitted to be developed with details as follows:–

(i)	Site area	:	202,669.3 sq.m.
(ii)	Site Coverage	:	26%
(iii)	Plot ratio	:	Not more than 1.5

- (4) According to 4 Planning Permits for Construction Works all issued by Changsha Urban Planning Administration Bureau (長沙市規劃管理局) on 6th April 2006, portion of the property is permitted to be developed at a construction scale with details as follows:–

Certificate No.	Gross Floor Area (sq.m.)
2(2006)0053	2,299.59
1(2006)0069	10,078.61
1(2006)0077	9,285.33
1(2006)0078	9,518.24
Total:	<u>31,181.77</u>

- (5) According to Permit for Commencement of Construction Works No. 43000020060407-0101 issued by Hunan Province Construction Department (湖南省建設廳) on 10th April 2006, commencement of construction works of Phase I of Tian Ji Xiang Jiang Fu at a construction scale of 32,111.67 sq.m. has been permitted.

- (6) According to 25 Pre-sale Permits for Commodity Housing issued by Changsha Municipal Housing Authority (長沙市房屋產權管理局), Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) was permitted to the development with details as follows:

Certificate No.	Block	Gross Floor Area (sq.m.)
(2006)5103	A-01	2,372.78
(2006)5104	A-02	2,371.45
(2006)5105	A-03	1,785.72
(2006)5106	A-04	998.68
(2006)5107	A-05	998.68
(2006)5108	A-06	1,614.97
(2006)5109	A-07	1,001.23
(2006)5110	A-08	2,373.73
(2006)5111	A-09	2,373.73
(2006)5112	B-01	2,197.55



Certificate No.	Block	Gross Floor Area (sq.m.)
(2006)5113	B-02	1,270.75
(2006)5178	B-03	1,271.30
(2006)5179	B-04	2,412.34
(2006)5180	B-05	1,471.29
(2006)5181	B-06	2,826.46
(2007)5427	A-15	1,012.27
(2007)5428	A-16	1,012.27
(2007)5429	A-17	2,414.41
(2007)5430	A-18	1,033.34
(2007)5431	A-19	1,033.34
(2007)5515	A-10	1,041.40
(2007)5516	A-11	1,672.08
(2007)5517	A-12	1,041.40
(2007)5518	A-13	1,758.80
(2007)5519	A-14	1,758.80
Total		<u>41,118.77</u>

(7) As advised by the Urban Development Group, as at 30th September 2007, the total development cost expended on the proposed development was approximately RMB142,235,562. We have taken into account such cost in our valuation.

(8) We are of the opinion that the “Capital value when completed” of the property, assuming it was completed in accordance with the development scheme provided to us by the Urban Development Group and sale on a strata-titled basis with immediate vacant possession as at the date of valuation was in the sum of RMB941,000,000.

(9) According to Business Licence No. 4301001004728 dated 26th April 2007, Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) was established for an operating period from 19th August 2004 to 14th November 2014. The current registered capital is RMB102,110,000.

According to Business Licence No. 4300001005819 dated 31st October 2006, Hunan Urban Development Depu Property Development Co., Ltd. (湖南城開德普置業有限公司) was established for an operating period from 9th March 2004 to 9th March 2034. The current registered capital is RMB114,110,000.

(10) We have been provided with a legal opinion on the property prepared by the Company’s legal advisors, which contains, inter alia, the following information:–

(i) According to Business Licence No. 4301001004728 dated 26th April 2007, Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) was established on 19th August 2004 for an operating period from 19th August 2004 to 14th November 2009 and is owned by Hunan Urban Development Depu Development Co., Ltd. (湖南城開德普置業有限公司) (99.61%), Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) (0.22%) and Shanghai Depu Development Co., Ltd. (上海德普置業有限公司) (0.17%). The current registered capital is RMB102,110,000;

(ii) According to Business Licence No. 4300001005819 dated 31st October 2006, Hunan Urban Development Depu Development Co., Ltd. (湖南城開德普置業有限公司) was established for an operating period from 9th March 2004 to 9th March 2034 and is owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) (55%) and Shanghai Depu Development Co., Ltd. (上海德普置業有限公司) (45%). The current registered capital is RMB114,110,000;

- (iii) Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) has settled all the land premium of the property as stated in the Contract for Grant of Land Use Rights;
  - (iv) According to 5 Certificates of Real Estate Ownership Nos. (2006)008516, (2006)008517, (2006)008518, (2006)008519 and (2006)008520 all issued by Changsha Land Resources Bureau (長沙市國土資源局) on 24th March 2006, Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) has obtained the land use rights of the property, comprising a total site area of 180,541.33 sq.m. for a land use term due to expire on 31st August 2074 for residential use;
  - (v) Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) is entitled to use, transfer, lease and mortgage the land use rights of the property with the residual term of its land use rights at no extra land premium payable to the government. Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) is entitled to the development and operation of the property;
  - (vi) Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) has obtained the required permit and approval documents for the development of the property;
  - (vii) The land use rights of Sites Nos. 1040034 and 1040035 of the property, comprising a total site area of 65,480.44 sq.m., is subject to mortgages in favour of Shanghai Pudong Development Bank Changsha Branch to an extent of RMB220,000,000; and
  - (viii) Changsha Chengpu Property Development Co., Ltd. (長沙城普置業有限公司) is entitled to transfer and re-mortgage the land use rights of Sites Nos. 1040034 and 1040035 subject to the consent of the mortgagee.
- (11) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in February 2004 at an acquisition cost of RMB189,560,095.
- (12) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–
- |   |     |
|---|-----|
| Certificates for the Use of State-owned Land  | Yes |
| Planning Permit for Construction Land         | Yes |
| Construction Permit for Construction Works    | Yes |
| Permit for Commencement of Construction Works | Yes |

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
3 The proposed Wan Yuan City situated at Lots B, C, D, E and F, Wan Yuan Residential Area, Minhang District, Shanghai, the PRC	<p>The property comprises a site with a site area of 560,463 sq.m. (6,032,824 sq.ft.).</p> <p>The property is planned to be developed to a residential development comprising mainly villa and high-end apartments.</p>	Lot E and Lot B of the property are under construction whilst the remaining portion of the site is vacant.	<p>RMB4,008,000,000 (90% interest attributable to the Urban Development Group: RMB3,607,200,000)</p>

As advised by the Urban Development Group, upon completion, the property is planned to have a total gross floor area of approximately 897,966 sq.m. (9,665,706 sq.ft.) inclusive of resettlement housing area and 4,709 car parking spaces with details as follows (Please see Note (6)):-

Portion	Approximate Gross Floor Area	
	sq.m.	sq.ft.
Residential	850,386	9,153,555
Ancillary	47,580	512,151
	<u>897,966</u>	<u>9,665,706</u>

The land use rights of the property have been granted for respective terms from 6th February 2002 to 5th February 2072 and from 8th July 2002 to 7th July 2072 for residential use.

Notes:-

- (1) According to 6 Shanghai Certificates of Real Estate Ownership all issued by 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 property, comprising a total site area of 560,463 sq.m., have been vested in Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) for residential use with details as follows:-

Lot No.	Certificate No.	Date of Issuance	Land Use Term	Site Area (sq.m.)
Lot B	(2002) 001207	6th February 2002	6th February 2002 to 5th February 2072	114,924
Lot C	(2002) 008022	9th July 2002	8th July 2002 to 7th July 2072	110,819
Lot D	(2002) 006522	9th July 2002	8th July 2002 to 7th July 2072	113,454
Lot E1	(2002) 063769	6th February 2002	6th February 2002 to 5th February 2072	49,927
Lot E2	(2002) 083768	6th February 2002	6th February 2002 to 5th February 2072	70,430
Lot F	(2002) 008021	6th February 2002	6th February 2002 to 5th February 2072	100,909

**Total:** 560,463

- (2) According to Contract for Grant of Land Use Rights No. (2002)6 entered into between Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) (“Party A”) and Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) (“Party B”) on 15th January 2002, Party A has agreed to grant the land use rights of the property with details as follows:—

(i)	Location	:	Lot B, Wan Yuan Residential Area, Minhang District, Shanghai
(ii)	Site area	:	114,924 sq.m.
(iii)	Land use term	:	70 years
(iv)	Land premium	:	RMB6,205,896

According to Supplementary No. (2005)44 on 20th December 2005 to Contract for Grant of Land Use Rights No. (2002)141, details of the contract have been adjusted as follows:—

(i)	Location	:	Lot C, Wan Yuan Residential Area, Minhang District, Shanghai
(ii)	Site area	:	110,819.10 sq.m.
(iii)	Permitted Gross Floor Area	:	192,517 sq.m.
(iv)	Land premium	:	RMB41,994,810

According to Contract for Grant of Land Use Rights No. (2002)141 entered into between Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) (“Party A”) and Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) (“Party B”) on 1st July 2002, Party A has agreed to grant the land use rights of the property with details as follows:—

(i)	Location	:	Lot C, Wan Yuan Residential Area, Minhang District, Shanghai
(ii)	Site area	:	117,815 sq.m.
(iii)	Land use term	:	70 years
(iv)	Land premium	:	RMB6,362,010

According to Supplementary No. (2005)45 on 20th December 2005 to Contract for Grant of Land Use Rights No. (2002)142, details of the contract have been adjusted as follows:—

(i)	Location	:	Lot D, Wan Yuan Residential Area, Minhang District, Shanghai
(ii)	Site area	:	113,454.20 sq.m.
(iii)	Permitted Gross Floor Area	:	265,743.60 sq.m., inclusive of 203,905.80 sq.m. above ground area (inclusive 183,540.20 sq.m. for residential use, 15,858.10 sq.m. for commercial use, 4,507.50 sq.m. for ancillary use) and 61,837.80 sq.m. for basement
(iv)	Additional land premium	:	RMB46,047,600

According to Contract for Grant of Land Use Rights No. (2002)142 entered into between Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) (“Party A”) and Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) (“Party B”) on 1st July 2002, Party A has agreed to grant the land use rights of the property with details as follows:—

(i)	Location	:	Lot D, Wan Yuan Residential Area, Minhang District, Shanghai
(ii)	Site area	:	113,454 sq.m.
(iii)	Land use term	:	70 years
(iv)	Land premium	:	RMB6,126,516

According to Supplementary No. (2005)31 on 6th September 2005 to Contract for Grant of Land Use Rights No. (2002)7, details of the contract have been adjusted as follows:–

- (i) Location : Lot E, Wan Yuan Residential Area, Minhang District, Shanghai
- (ii) Site area : 120,357.40 sq.m.
- (iii) Permitted Gross Floor Area : 259,791 sq.m., inclusive of 70,536 sq.m. basement area  
(Phase 1: 120,097 sq.m., inclusive of 24,887 sq.m. basement area  
Phase 2: 139,694 sq.m., inclusive of 45,649 sq.m. basement area)
- (iv) Land premium : RMB40,697,862

According to Contract for Grant of Land Use Rights No. (2002)7 entered into between Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) (“Party A”) and Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) (“Party B”) on 15th January 2002, Party A has agreed to grant the land use rights of the property with details as follows:–

- (i) Location : Lot E, Wan Yuan Residential Area, Minhang District, Shanghai
- (ii) Site area : 121,853 sq.m.
- (iii) Use : Residential
- (iv) Land use term : 70 years
- (v) Permitted Gross Floor Area : 114,924 sq.m.
- (vi) Land premium : RMB6,580,062

According to Supplementary No. (2005)46 on 20th December 2005 to Contract for Grant of Land Use Rights No. (2002)8, details of the contract have been adjusted as follows:–

- (i) Location : Lot F, Wan Yuan Residential Area, Minhang District, Shanghai
- (ii) Site area : 100,908.80 sq.m.
- (iii) Permitted Gross Floor Area : 233,707 sq.m., inclusive of 173,213 sq.m. above ground area and 60,494 sq.m. basement area
- (iv) Land premium : RMB33,265,938

According to Contract for Grant of Land Use Rights No. (2002)8 entered into between Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) (“Party A”) and Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) (“Party B”) on 15th January 2002, Party A has agreed to grant the land use rights of the property with details as follows:–

- (i) Location : Lot F, Wan Yuan Residential Area, Minhang District, Shanghai
- (ii) Site area : 101,147 sq.m.
- (iii) Land use term : 70 years
- (iv) Land premium : RMB5,461,938

- (3) According to 5 Planning Permits for Construction Land all issued by Shanghai Minhang District Planning Administration Bureau (上海市閔行區規劃管理局) on 29th December 2004, the property is permitted to be developed with details as follows:–

Certificate No.	Lot No.	Site Area (sq.m.)
(2004) 1273	Lot B	151,741
(2004) 1274	Lot C	165,868
(2004) 1275	Lot D	161,322
(2004) 1276	Lot E	146,548
(2004) 1277	Lot F	154,616
		<hr/>
		780,095
		<hr/>

- (4) According to the 2 Planning Permits for Construction Works both issued by Shanghai Minhang District Planning Administration Bureau (上海市閔行區規劃管理局), Lot E of the property is permitted to be developed at a construction scale with details as follows:-

<b>Certificate No.</b>	<b>Date of Issuance</b>	<b>Construction Scale (sq.m.)</b>
(2005)12050812F01685	11th August 2005	141,236
(2005)12050524F00766	23rd May 2005	120,097
		<u>261,333</u>

- (5) According to Permit for Commencement of Construction Works No. 0501MH0036D01/310112200504281119 issued by Shanghai Construction Industry Administration Office (上海市建築業管理辦公室) on 23rd June 2006, the commencement of construction works of Lot B at a construction scale of 82,610 sq.m. has been permitted.

According to Permit for Commencement of Construction Works No. 501MH0002D01/310112200501070719 issued by Shanghai Construction Industry Administration Office (上海市建築業管理辦公室) on 30th May 2005, the commencement of construction works of Lot E at a construction scale of 261,333 sq.m. has been permitted.

- (6) According to the Approval of Detailed Planning of Wanyuan City in Minhang District No. (2004)760 issued by Shanghai Urban Planning Administration Bureau (上海市城市規劃管理局) on 22nd July 2004, the planning use of Lot A is for regional park and communal facilities use whilst Lots B, C, D, E and F is for residential use with details as follows:

- (i) Plot Ratio : Not more than 1.33
- (ii) Permitted Gross Floor Area : 830,000 sq.m. above ground area
- (iii) Site Coverage : 16.1%
- (iv) Greenery Ratio : 42.9%

We have based on such conditions to carry out the valuation.

- (7) As advised by the Urban Development Group, as at 30th September 2007, the total development cost expended on the proposed development was approximately RMB941,725,681. We have taken into account such cost in our valuation.
- (8) According to four Pre-sale/Sale Permit Certificate issued by Shanghai Minhang Housing and Land Resources Administration Bureau (上海市閔行房屋土地資源管理局), the under-construction work on Lot E2 has been permitted to pre-sale. The details of the certificates are as follows:

<b>Certificate Code</b>	<b>Use</b>	<b>GFA</b>	<b>Issued Date</b>
2007-000093	Residential	21,201.08	2007-2-2
2007-000246	Residential	29,586.58	2007-3-30
2007-000406	Residential	32,301.61	2007-5-12
2007-000530	Residential	17,469.20	2007-6-12

- (9) We are of the opinion that the "Capital value when completed" of the property, assuming it was completed in accordance with the development scheme provided to us by the Urban Development Group and sale on a strata-titled basis with immediate vacant possession as at the date of valuation was in the sum of RMB9,698,000,000.

- (10) According to Business Licence No. 3101121030958 dated 17th May 2006, Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) was established for an operating period from 17th May 1999 to 16th May 2014. The current registered capital is RMB300,000,000.
- (11) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:-
- (i) According to Business Licence No. 3101121030958, Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) was established on 17th May 1999 for an operating period from 17th May 1999 to 16th May 2014 and is owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) (90%) and Shanghai Zhufeng Enterprise Development Co., Ltd. (上海珠峰企業發展有限公司) (10%). The current registered capital is RMB300,000,000;
  - (ii) Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) has settled all the land premium of the property as stated in the Contract for Grant of Land Use Rights;
  - (iii) According to 6 Shanghai Certificates of Real Estate Ownership Nos. (2002)001207, (2002)063769, (2002)083768, (2002)008021, (2002)008022 and (2002)006522, Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) has obtained the land use rights of the property, comprising a total site area of 560,463 sq.m. for residential use;
  - (iv) Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) is entitled to use, transfer, lease and mortgage the land use rights of the property with the residual term of its land use rights at no extra land premium payable to the government;
  - (v) Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) has obtained Planning Permit for Construction Land, Planning Permits for Construction Works for Lots E and B and Commencement of Construction Works for Lot E and B. Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) is entitled to the development and operation of the property;
  - (vi) The land use rights of Lots B and E and Lots C, D and F of the property is subject to mortgages in favour of Agricultural Bank of China Shanghai Jiangnan Branch and Agricultural Bank of China Shanghai Branch to an extent of RMB550,000,000 and RMB1,000,000,000 respectively; and
  - (vii) Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) is entitled to transfer and re-mortgage the land use rights of Lots B, C, D, E and F subject to the consent of the mortgagee.
- (12) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:-
- |   |     |
|---|-----|
| Shanghai Certificate of Real Estate Ownership | Yes |
| Planning Permit for Construction Land         | Yes |
| Planning Permit for Construction Works        | Yes |
| Permit for Commencement of Construction Works | Yes |

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
4	The proposed Shencheng Garden situated at The 2nd Ring South Road, Hefei, Anhui Province, the PRC	<p>The property comprises a parcel of composite land with a site area of 118,970.10 sq.m. (1,280,594 sq.ft.).</p> <p>The property is planned to be developed to a residential commercial development scheduled for completion in 2009.</p> <p>As advised by the Urban Development Group, upon completion, the property is planned to have a total gross floor area of approximately 267,185 sq.m. (2,875,979 sq.ft.) for composite use.</p> <p>The land use rights of the property have been granted for a term of 70 years for residential use and 40 years for commercial use.</p>	The property is under construction.	RMB414,000,000

*Notes:—*

- (1) According to Contract for Grant of Land Use Rights entered into between Hefei Land Resources Administration Bureau (合肥市國土資源局) (“Party A”) and Shanghai Urban Development Group Hefei Real Estate Co., Ltd. (上海城開集團合肥置業有限公司) (“Party B”) on 9th May 2006, Party A has agreed to grant the land use rights of the property with details as follows:—

- |        |                   |   |   |
|--------|-------------------|---|---|
| (i)    | Location          | : | The 2nd Ring South Road   |
| (ii)   | Site area         | : | 229,805.90 sq.m. (only 134,547.48 sq.m. site area was granted); the final site area of the property is 118,970.10 sq.m. For details, refer to the Certificate for the Use of State-owned Land in note (2)._ |
| (iii)  | Use               | : | Residential and Commercial  |
| (iv)   | Land use term     | : | 70 years for residential use and 40 years for commercial use  |
| (v)    | Plot ratio        | : | 2.6   |
| (vi)   | Greenery Ratio    | : | Not less than 20%   |
| (vii)  | Land premium      | : | RMB52,473,517   |
| (viii) | Compensation fee  | : | RMB75,835,947 (The grantee should negotiate such fee with the original land user)   |
| (ix)   | Building covenant | : | Construction works should be commenced before 31st December 2006.   |

Upon completion of 25% of total investment for the proposed project on the property, Shanghai Urban Development Group Hefei Real Estate Co., Ltd. (上海城開集團合肥置業有限公司) is entitled to transfer the property.



- (2) According to 2 Certificates for the Use of State-owned Land all issued by Hefei Land Resources Bureau (合肥市國土資源局) on 24th May 2007 and 4th June 2007 respectively, the land use rights of the property, comprising a total site area of 118,970.10 sq.m., have been vested in Shanghai Urban Development Group Hefei Real Estate Co., Ltd. (上海城開集團合肥置業有限公司) for a land use term due to expire on 14th June 2046 for commercial use and 14th June 2076 for residential use with details as follows:-

Certificate No.	Site No.	Site Area (sq.m.)
(2007)318	B23089	59,549.71
(2007)352	B23090	59,420.39
		<u>118,970.10</u>

- (3) According to Planning Permit for Construction Land No. (2006)077 issued by Hefei Planning Administration Bureau (合肥市規劃局) on 7th April 2006, the property is permitted to be developed with details as follows:-

- (i) Site area : 229,805.90 sq.m. (inclusive of 32,882.40 sq.m. for road use and 15,709.12 sq.m. for greenery use)
- (ii) Site Coverage : Not more than 20%
- (iii) Building Height : Not higher than 120 metres

- (4) According to 17 Planning Permits for Construction Works all issued by Hefei Planning Bureau Changsha Planning Administration Bureau (合肥市規劃管理局) on 28th May 2007 and 17th July 2007 respectively, portion of the property is permitted to be developed at a construction scale with details as follows:-

Certificate No.	Project Name	Gross Floor Area (sq.m.)
2007393	Shencheng Garden Block A-1	1,953.8
2007394	Shencheng Garden Block A-2	1,944.2
2007395	Shencheng Garden Block A-3	1,301.0
2007396	Shencheng Garden Block A-4	1,924.4
2007397	Shencheng Garden Block A-5	1,923.9
2007398	Shencheng Garden Block A-6	1,924.4
2007399	Shencheng Garden Block A-7	1,314.6
2007400	Shencheng Garden Block A-8	1,301.0
2007401	Shencheng Garden Block A-9	1,944.2
2007402	Shencheng Garden Block A-10	1,302.7
2007403	Shencheng Garden Block A-11	1,608.9
2007404	Shencheng Garden Block A-12	1,944.2
2007405	Shencheng Garden Block A-13	1,301.0
2007406	Shencheng Garden Block A-14	1,301.0
2007407	Shencheng Garden Block A-24	2,590.7
2007408	Shencheng Garden Block A-25	2,593.8
2007627	Shencheng Garden Block B-1	1,328.6
Total:		<u>29,502.4</u>

- (5) As advised by the Urban Development Group, as at 30th September 2007, the total development cost expended on the proposed development was approximately RMB53,751,284. We have taken into account such cost in our valuation.

- (6) We are of the opinion that the “Capital value when completed” of the property, assuming it was completed in accordance with the development scheme provided to us by the Urban Development Group and sale on a strata-titled basis with immediate vacant possession as at the date of valuation was in the sum of RMB1,120,000,000.
- (7) According to Business Licence No. 3401001007214 dated 1st June 2007, Shanghai Urban Development Group Hefei Real Estate Co., Ltd (上海城開集團合肥置業有限公司) was established for an operating period from 1st March 2006 to 28th February 2026. The current registered capital is RMB200,000,000.
- (8) We have been provided with a legal opinion on the property prepared by the Company’s legal advisors, which contains, inter alia, the following information:–
- (i) According to Business Licence No. 3401001007214, Shanghai Urban Development Group Hefei Real Estate Co., Ltd (上海城開集團合肥置業有限公司) was established for an operating period from 1st March 2006 to 28th February 2026 and is wholly owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB200,000,000;
  - (ii) Shanghai Urban Development Group Hefei Real Estate Co., Ltd (上海城開集團合肥置業有限公司) has settled all the land premium of the property as stated in the Contract for Grant of Land Use Rights;
  - (iii) According to 2 Certificates for the Use of State-owned Land Nos. (2007)318 and (2007)352 all issued by Hefei Land Resources Bureau (合肥市國土資源局) on 24th May 2007 and 4th June 2007 respectively, Shanghai Urban Development Group Hefei Real Estate Co., Ltd (上海城開集團合肥置業有限公司) has obtained the land use rights of the property, comprising a total site area of 118,970.10 sq.m. for a land use term due to expire on 14th June 2046 for commercial use and 14th June 2076 for residential use;
  - (iv) Shanghai Urban Development Group Hefei Real Estate Co., Ltd (上海城開集團合肥置業有限公司) is entitled to use, transfer, lease and mortgage the land use rights of the property with the residual term of its land use rights at no extra land premium payable to the government. Shanghai Urban Development Group Hefei Real Estate Co., Ltd (上海城開集團合肥置業有限公司) is entitled to the development and operation of the property;
  - (v) Shanghai Urban Development Group Hefei Real Estate Co., Ltd (上海城開集團合肥置業有限公司) has obtained the required permit and approval documents for the development of the property; and
  - (vi) The property is not subject to any mortgage.
- (9) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–
- |  |     |
|--|-----|
| Certificates for the Use of State-owned Land | Yes |
| Contract for Grant of Land Use Rights        | Yes |
| Planning Permit for Construction Land        | Yes |
| Planning Permit for Construction Works       | Yes |

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
5 The proposed Kun Cheng Di Jing Yuan situated at south of Yingbin Road, west of Han Pu Tang, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	<p>The property comprises a parcel of composite land with a site area of 205,016.5 sq.m. (2,206,798 sq.ft.).</p> <p>As advised by the Urban Development Group, upon completion, the property is planned to be developed to a residential development in 3 phases comprising mainly villas and apartments with a total gross floor area of approximately 264,030.12 sq.m. (2,842,020 sq.ft.).</p> <p>The land use rights of the property have been granted for land use terms due to expire on 25th March 2044 for commercial use and on 25th March 2074 for residential use.</p>	The property is under construction.	<p>RMB428,000,000</p> <p>(90% interest attributable to the Urban Development Group: RMB385,200,000)</p>

*Notes:—*

- (1) According to Certificate for Use of State-owned Land No. (2006)12006106007 issued by Jiangsu Kunshan Land Resources Administration Bureau (昆山市國土資源局) on 21st April 2006, the land use rights of the property, comprising a site area of 205,016.50 sq.m., have been vested in Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) for land use terms due to expire on 25th March 2044 for commercial use and on 25th March 2074 for residential use.
- (2) According to Contract for Grant of Land Use Rights No. (2003)62 entered into between Kunshan Land Resources Administration Bureau (昆山市國土資源局) ("Party A"), and Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) ("Party B"), Party A has agreed to grant the land use rights of the property with details as follows:—
  - (i) Location : South of Yingbin Road, west of Han Pu Tang, Zhoushi Town
  - (ii) Site area : 201,168.90 sq.m.
  - (iii) Use : Tourism, commercial and residential
  - (iv) Land use term : 70 years for tourism use and 40 years for tourism and commercial use
  - (v) Plot ratio : 1.2
  - (vi) Site coverage : Not more than 30%
  - (vii) Greenery ratio : Not less than 45%
  - (viii) Land premium : RMB780 per sq.m. (equivalent to RMB156,911,742)
- (3) According to Planning Permit for Construction Land No. 2006-0034 issued by Kunshan Planning Bureau (昆山市規劃局) on 25th January 2006, the property is permitted to be developed with a site area of 205,018.60 sq.m..

- (4) According to Planning Permits for Construction Works all issued by Kunshan Urban Planning Administration Bureau (昆山市規劃管理局) on 31st May 2006, portion of the property was permitted to be developed at a construction scale with details as follows:-

<b>Certificate No.</b>	<b>Gross Floor Area (sq.m.)</b>
2006-2349-2354	3,136.8
2006-2355-2358	1,788.4
2006-2359-2363	2,789.0
2006-2364	503.9
2006-2365-2369/3795	2,170.2
2006-2370/3791	868.0
2006-2372-2376	2,315.0
2006-2377-2380	1,702.0
2006-2381	14,423.4
2006-2382	9,760.0
2006-2383	10,699.0
2006-2384	5,103.0
2006-2385	11,099.0
2006-2386	14,935.6
2006-2387	230.0
2006-2388	3,461.0
	<hr/>
	84,984.3
	<hr/>

- (5) According to Business Licence No. 3205831104323 dated 26th May 2007, Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) was established for an operating period from 5th July 2004 to 5th July 2034. The current registered capital is RMB100,000,000.
- (6) As advised by the Urban Development Group, as at 30th September 2007, the total development cost expended on the proposed development was approximately RMB107,204,808. We have taken into account such cost in our valuation.
- (7) We are of the opinion that the “Capital value when completed” of the property, assuming it was completed in accordance with the development scheme provided to us by the Urban Development Group and sale on a strata-titled basis with immediate vacant possession as at the date of valuation was in the sum of RMB1,196,000,000.
- (8) We have been provided with a legal opinion on the property prepared by the Company’s legal advisors, which contains, inter alia, the following information:-
- According to Business Licence No. 3205831104323 dated 26th May 2007, Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) was established for an operating period from 5th July 2004 to 5th July 2034 and is owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) (90%) and Shanghai Zhongxin Real Estate Development Company (上海中新房地產開發公司) (10%). The current registered capital is RMB100,000,000;
  - Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) has settled all the land premium of the property;
  - According to Certificate for Use of State-owned Land No. (2006)12006106007 issued by Jiangsu Kunshan Land Resources Administration Bureau (江蘇省昆山市國土資源局) on 21st April 2006, Kunshan Urban Development Real Estate Development Co., Ltd.

(昆山城開房地產開發有限公司) has obtained the land use rights of the property, comprising a total site area of 205,016.50 sq.m. land use terms due to expire on 25th March 2044 for commercial use and on 25th March 2074 for residential use;

- (iv) Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) is entitled to use, transfer, lease and mortgage the land use rights of the property with the residual term of its land use rights at no extra land premium payable to the government;
  - (v) The property is subject to a mortgage in favour of China Construction Bank Kunshan Sub-branch; and
  - (vi) Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) has obtained Planning Permit for Construction Land.
- (9) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Certificate for Use of State-owned Land	Yes
Contract for Grant of Land Use Rights	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes

## Group II – Properties held by the Urban Development Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
6 A parcel of composite land situated at Site 88, 150 Jiefang, Xujiahui, Xuhui District, Shanghai, the PRC	<p>The property comprises a parcel of composite land with a site area of 35,343 sq.m. (380,432 sq.ft.).</p> <p>As advised by the Urban Development Group, upon completion, the property is planned to have a total gross floor area of approximately 168,414.75 sq.m. (1,812,816 sq.ft.) for composite use.</p> <p>The land use rights of the property have been transferred to for a term from 23rd July 1996 to 22nd July 2046 for composite use (commercial and residential use).</p>	<p>There are several temporary commercial buildings erected on the property. (Please see Note (1))</p>	<p>RMB2,520,000,000</p> <p>(60% interest attributable to the Urban Development Group: RMB1,512,000,000)</p>

## Notes:–

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2007)012691 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 26th June 2007, the land use rights of the property, comprising a site area of 35,343 sq.m., have been vested in Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) for a land use term from 23rd July 1996 to 22nd July 2046 for composite use (commercial and residential uses).

As inspected, there were several temporary buildings erected on the property, however, in the course of our valuation, we have disregarded these buildings in our valuation.

- (2) According to an Approval on the Construction Scale of the Property No. (2005)694 issued by Shanghai Urban Planning Administration Bureau (上海市城市規劃管理局) on 9th August 2005, the development capacity of the property was approved with details as follows:–

- |       |                            |   |   |
|-------|----------------------------|---|---|
| (i)   | Location                   | : | 6 parcels of land situated at west and north to Guangyuan Road and Guangyuan Road West, south to Hongqiao Road, east to Tianping Road and Grand Gateway, Sub-centre of Xujiahui |
| (ii)  | Site area                  | : | 13.2 hectares   |
| (iii) | Plot ratio                 | : | 4.0 (whilst the plot ratio of Sites 1 and 2 are to be confirmed)  |
| (iv)  | Permitted gross floor area | : | Not more than 629,000 sq.m. above ground gross floor area   |

- (3) According to Business Licence No. 3100001007238 dated 30th December 2005, Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) was established with a registered capital of RMB830,528,640 for an operating period from 17th May 1996 to 26th July 2054.

- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:–
- (i) According to Business Licence No. 3100001007238, Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) was established with a registered capital of RMB830,528,640 on 17th May 1996 for an operating period from 17th May 1996 to 26th July 2054 and is owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) (60%), Shanghai Xuhui Land Development Co., Ltd. (上海徐匯土地發展有限公司) (30%) and Shanghai Xujiahui Center (Group) Co., Ltd. (上海徐家匯商城(集團)有限公司) (10%);
  - (ii) Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) has settled all the land premium of the property as stated in the Contract for Grant of Land Use Rights;
  - (iii) According to Shanghai Certificate of Real Estate Ownership No. (2007)012691 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 26th June 2007, Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) has obtained the land use rights of the property, comprising a total site area of 35,343 sq.m. for a land use term from 23rd July 1996 to 22nd July 2046 for composite use (commercial and residential uses);
  - (iv) Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) is entitled to use, transfer, lease and mortgage the land use rights of the property with the residual term of its land use rights at no extra land premium payable to the government. Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) is entitled to the development and operation of the property; and
  - (v) The property is not subject to any mortgage.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in October 2005 at an acquisition cost of RMB976,035,557.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business License	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
7	A parcel of residential land situated at No. 42 Fuxing Road West, Xuhui District, Shanghai, the PRC	<p>The property comprises a parcel of composite land with a site area of 258 sq.m. (2,777 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential use.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2002)021073 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 20th June 2002, the land use rights of the property, comprising a site area of 258 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB1,800,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2002)021073 on 20th June 2002, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights of the property, comprising a site area of 258 sq.m. for an unspecified land use term for residential use;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights of the property; and
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes



	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
8	A parcel of residential land situated at west of No. 22, Lane 203, Kangping Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a parcel of composite land with a site area of 391 sq.m. (4,209 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential use.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Certificate of Real Estate Ownership No. (2003)006777 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局) on 10th March 2003, the land use rights of the property, comprising a site area of 391 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB2,730,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Certificate of Real Estate Ownership No. (2003)006777 dated 10th March 2003, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights of the property, comprising a site area of 391 sq.m. for an unspecified land use term for residential use;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights of the property; and
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

## Group III – Properties owned and occupied by the Urban Development Group in the PRC

				Capital value in existing state as at 30th September 2007
Property	Description and tenure	Particulars of occupancy		
9	<p>Portion of a residential building situated at No. 7 Lane 1057, Zhongshan South 2nd Road, Xuhui District, Shanghai, the PRC</p> <p>The property comprises portion of a 3-storey residential building completed in 1994.</p> <p>The property has a total gross floor area of 1,658.31 sq.m. (17,850 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential use.</p>	<p>The property was leased for an unspecified term at a monthly rent of RMB45,659.93.</p>		No Commercial Value (Please see Note (2))

## Notes:–

- (1) According to Shanghai Certificate of Real Estate Ownership No. (1998)008978 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局) on 28th August 1998, the land use rights and building ownership of Nos. 4, 6 and 7, Lane 1057, Zhongshan South 2nd Road, comprising a site area of 8,081 sq.m. and a gross floor area of 46,787.14 sq.m. (inclusive of 1,453.59 sq.m. basement area), have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB12,700,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:–
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (1998)008978 on 28th August 1998, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, currently comprising a gross floor area of 1,658.31 sq.m. for an unspecified term for residential use;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and

- (v) The property is subject to a mortgage in favour of Shanghai Rural Commercial Bank Xuhui Sub-branch from 27th July 2007 to 25th July 2008.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
10	Blocks 1, 2 and 8 situated at No. 776 Luoxiu Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a 2-storey, a single storey and a 5-storey factories completed in 1965, 1968 and 1991 respectively.</p> <p>The property has a total gross floor area of 6,735.92 sq.m. (72,505 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for industrial use.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2000)016188 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) in May 2000, the land use rights and building ownership of the property, comprising a site area of 7,195 sq.m. and a gross floor area of 6,735.92 sq.m., have been allocated to Shanghai Carton 16th Factory (上海紙盒十六廠) for an unspecified land use term for industrial use.
- (2) According to Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB12,000,000.
- (3) According to Business Licence No. 310104000001404 dated 24th July 2007, Shanghai Carton 16th Factory (上海紙盒十六廠) was established for an unbounded operating period from 20th July 1981. The current registered capital is RMB826,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310104000001404 dated 24th July 2007, Shanghai Carton 16th Factory (上海紙盒十六廠) was established for an unbounded operating period from 20th July 1981 and is wholly owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unbounded operating period. The current registered capital is RMB826,000;
  - (ii) According to Shanghai Certificates of Real Estate Ownership No. (2000)016188, Shanghai Carton 16th Factory (上海紙盒十六廠) has obtained the land use rights and building ownership of the property, comprising a gross floor area of 6,735.92 sq.m. for industrial use;
  - (iii) Shanghai Carton 16th Factory (上海紙盒十六廠) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
11	20 office units on Levels 8, 9 and 10 and 12 car parks situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 20 office units on levels 8, 9 and 10 and 12 car parks of a 16-storey office building which was completed in 2001.</p> <p>The property has a total gross floor area of 5,640.10 sq.m. (60,710 sq.ft.).</p> <p>The land use rights of the property have been transferred for a term from 6th December 1992 to 5th December 2042 for composite use.</p>	The property is occupied by the Urban Development Group for office use.	RMB83,660,000

Notes:—

- (1) According to 16 Shanghai Certificates of Real Estate Ownership all issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 21st December 2003, the land use rights and building ownership of the property, comprising a total site area of 599.50 sq.m. and a total gross floor area of 5,640.10 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 6th December 1992 to 5th December 2042 for composite use with details as follows:—

Certificate No.	Unit No./Car Park No.	Apportioned Site Area (sq.m.)	Car Park Gross Floor Area (sq.m.)	Gross Floor Area (sq.m.)
(2004)000428	Units 905 and 906/Car Park No. 24	44.20	49.03	372.77
(2004)000431	Unit 807	18.60	—	156.48
(2004)000434	Unit 1001/Car Park No. 26	53.80	49.03	453.71
(2004)000441	Unit 1002/Car Park No. 27	55.70	49.03	469.55
(2004)000446	Unit 1003/Car Park No. 28	49.10	49.03	413.78
(2004)000448	Unit 1004/Car Park No. 29	49.40	49.03	416.48
(2004)000451	Units 907 and 908/Car Park No. 25	44.50	49.03	374.62
(2004)000461	Units 903 and 904/Car Park No. 23	53.50	49.03	450.86
(2004)000465	Units 901 and 902/Car Park No. 22	53.50	49.03	450.86
(2004)000468	Unit 808/Car Park No. 32	25.90	49.03	218.14
(2004)000474	Unit 805/Car Park No. 31	25.90	49.03	218.14
(2004)000477	Unit 804/Car Park No. 21	35.70	49.03	301.16
(2004)000481	Unit 802	17.80	—	149.70
(2004)000484	Unit 801/Car Park No. 20	35.70	49.03	301.16
(2004)000485	Unit 803	17.80	—	149.70
(2004)000486	Unit 806	18.40	—	154.63
		<u>599.50</u>	<u>588.36</u>	<u>5,051.74</u>

- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.

- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:–
- (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to 16 Shanghai Certificates of Real Estate Ownership Nos. (2004)000428, (2004)000431, (2004)000434, (2004)000441, (2004)000446, (2004)000448, (2004)000451, (2004)000461, (2004)000465, (2004)000468, (2004)000474, (2004)000477, (2004)000481, (2004)000484, (2004)000485 and (2004)000486 on 21st December 2003, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a total gross floor area of 5,640.10 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is subject to a mortgage in favor of Xuhui Sub-branch of Shanghai Pudong Development Bank to an extent of RMB70,000,000 from 18th April 2006 to 17th April 2009.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in December 2003 at an acquisition cost of RMB42,377,783.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
12	Villa C10 situated at South Area of Shanghai Labour Union Holiday Resort, Shajiabang Town, Changshu, Jiangsu Province, the PRC	<p>The property comprises a 3-storey villa which was completed in 2000.</p> <p>The property has a gross floor area of 639 sq.m. (6,878 sq.ft.).</p> <p>The land use rights of the property have been granted for a term due to expire on 20th December 2044 for tourism use.</p>	The property is vacant.	RMB2,780,000

*Notes:—*

- (1) According to Building Ownership Certificate No. 00000360 issued by Changshu Real Estate Administration Bureau (常熟市房地產管理局) on 8th January 2001, the building ownership of the property, comprising a gross floor area of 639 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司).
- (2) According to Certificate for the Use of State-owned Land No. (2005)001333 issued by Changshu Land Resources Bureau (常熟市國土資源局) on 18th July 2005, the land use rights of the property, comprising a site area of 1,006 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term due to expire on 20th December 2044 for tourism use.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Building Ownership Certificate No. 00000360 and Certificate for the Use of Stated-owned Land (2005)001333, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a gross floor area of 639 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—
 

Certificate for the Use of Stated-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes



	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
13	An office building situated at No. 4, Lane 393, Xiangyang Road South, Xuhui District, Shanghai, the PRC	<p>The property comprises a 4-storey office building completed in 1998.</p> <p>The property has a gross floor area of 576 sq.m. (6,200 sq.ft.).</p>	<p>The property was leased for a term from 1st January 2006 to 31st October 2015 at a monthly rent of RMB5,875.</p>	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. 0080236 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 29th February 1996, the building ownership of the property, comprising a gross floor area of 576 sq.m., have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for office use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB7,270,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. 0080236 on 29th February 1996, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, comprising a gross floor area of 576 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (vi) The property is not subject to any mortgage.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

## Group IV – Properties held by the Urban Development Group for investment in the PRC

			Capital value in existing state as at 30th September 2007
Property	Description and tenure	Particulars of occupancy	
14 Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	<p>The property comprises various shops on levels 1 to 3 of a 14-storey composite building completed in 2001.</p> <p>The property has a total gross floor area of 3,262.94 sq.m. (35,122 sq.ft.).</p> <p>The land use rights of the property have been granted for a term from 30th June 2000 to 30th June 2050 for composite use.</p>	<p>Level 1 of the property was leased for a term from 8th February 2002 to 7th February 2012 at a monthly rent of RMB52,888.88 and the remaining portion is vacant.</p>	RMB34,240,000

*Notes:–*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2001)010768 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 31st December 2001, the land use rights and building ownership of various units situated at Nos. 10 and 11 of Lane 388 and Nos. 498 and 500 Pubei Road, Nos. 64 and 66 of Guilin Road West, comprising a gross floor area of 5,763.22 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 30th June 2000 to 30th June 2050 for composite use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We issued a report on 15th December 2007 regarding valuation of the property as at 31st July 2007. The capital value in existing state as at 31st July 2007 of the property was RMB34,240,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:–
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2001)010768 on 31st December 2001, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, currently comprising a gross floor area of 3,262.94 sq.m. for a land use term from 30th June 2000 to 30th June 2050 for composite use;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is subject to a mortgage in favour of Shanghai Rural Commercial Bank Xuhui Sub-branch from 27th July 2007 to 25th July 2008.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

				Capital value in existing state as at 30th September 2007
Property	Description and tenure	Particulars of occupancy		
15	A commercial building and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	The property comprises a 7-storey commercial building with basement and non-motor vehicle shed completed in 2002.  The property has a total gross floor area of 14,234.55 sq.m. (153,221 sq.ft.).  The land use rights of the property have been allocated for an unspecified term for commercial use.	Portion of the property with a total gross floor area of approximately 10,841.60 sq.m. is subject to various tenancies with the latest expiry date on 15th November 2014 at an annual rent of approximately RMB18,828,000, exclusive of utilities charges.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Certificate of Real Estate Ownership No. (1998)005656 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 15th June 1998, the land use rights and building ownership of Nos. 111 and 123 Tianyaoqiao Road, comprising a site area of 2,673 sq.m. and a gross floor area of 14,234.55 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for commercial use.
- (2) According to Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB278,000,000.
- (3) We issued a report on 15th December 2007 regarding valuation of the property as at 31st July 2007. We have ascribed no commercial value to the property as at 31st July 2007. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 31st July 2007 was RMB278,000,000.
- (4) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (5) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Certificate of Real Estate Ownership No. (1998)005656 on 15th June 1998, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a site area of 2,673 sq.m. and a gross floor area of 14,234.55 sq.m. for an unspecified term for commercial use. The use rights of No. 111 of the property, comprising a gross floor area 99.84 sq.m. has been vested in Shanghai Municipal Public Transportation General Company (上海市公共交通總公司). As

advised by the Urban Development Group, Shanghai Municipal Public Transportation General Company (上海市公共交通總公司) is an independent third party to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司);

- (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal;
  - (v) The property situated at Nos. 111 and 123 Tianyaoqiao Road, Shanghai is subject to a mortgage in favour of Shenzhen Development Bank Co., Ltd. Shanghai Minhang Sub-branch to an extent of RMB90,000,000; and
  - (vi) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to transfer and re-mortgage the building ownership of the property subject to the consent of the mortgagee.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
16	A detached villa situated at No. 3 Lane 16, Gaoyou Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a 3-storey villa residential building which was completed in 1993.</p> <p>The property has a gross floor area 347.07 sq.m. (3,736 sq.ft.).</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership Nos. 00691 and 00692 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 24th January 1995, the building ownership of various units situated at Nos. 1 to 7 situated at Lane 16, Gaoyou Road, comprising a total gross floor area of 2,699.56 sq.m., has been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB13,560,000.
- (3) We issued a report on 15th December 2007 regarding valuation of the property as at 31st July 2007. We have ascribed no commercial value to the property as at 31st July 2007. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 31st July 2007 was RMB13,560,000.
- (4) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (5) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership Nos. 00691 and 00692 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 24th January 1995, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, currently comprising a gross floor area of 347.07 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;

- (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
- (vi) The property is not subject to any mortgage.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes



	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
17	A detached villa situated at No. 11 Lane 905, Huashan Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a 3-storey villa residential building which was completed in 1993.</p> <p>The property has a gross floor area 353.50 sq.m. (3,805 sq.ft.).</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. 00690 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 24th January 1995, the building ownership of various units situated at Nos. 10 to 12 and 17 to 19 situated at Lane 905, Huashan Road, comprising a total gross floor area of 2,240 sq.m., has been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB14,090,000.
- (3) We issued a report on 15th December 2007 regarding valuation of the property as at 31st July 2007. We have ascribed no commercial value to the property as at 31st July 2007. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 31st July 2007 was RMB14,090,000.
- (4) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (5) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. 00690 dated 24th January 1995, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, comprising a gross floor area of 353.30 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;

- (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
- (vi) The property is not subject to any mortgage.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

## Group V – Properties held by the Urban Development Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
18 Units 307, 602 and 1501, No. 1, Lane 338, Dong'an Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 3 residential units of an 18-storey residential building which was completed in 1996.</p> <p>The property has a total gross floor area of 338.48 sq.m. (3,643 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential use.</p>	<p>1 unit of the property with a total gross floor area of 103.22 sq.m. is leased for a term from 1st January 2007 to 31st December 2007 at a monthly rent of RMB1,000, whilst the remaining portion is vacant.</p>	No Commercial Value (Please see Note (2))

## Notes:–

- (1) According to Shanghai Certificate of Real Estate Ownership No. (1997) 004344 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 10th September 1997, the land use rights and building ownership of various units situated at No. 1, Lane 338, Dong'an Road, comprising a site area of 2,514.20 sq.m. and a total gross floor area of 12,773.12 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) and Shanghai Xuhui Real Estate Operation Company (上海市徐匯房產經營公司) for an unspecified land use term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB3,950,000 (76.47% interest attributable to the Urban Development Group: RMB3,020,565).
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:–
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (1997) 004344 dated 10th September 1997, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, currently comprising a total gross floor area of 338.48 sq.m. for an unspecified term for residential use; and
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;

- (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
- (v) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
19	2 townhouse units situated at Nos. 80 and 82, Lane 280, Wukang Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 townhouse units which were completed in 2002.</p> <p>The property has a total gross floor area of 354.41 sq.m. (3,815 sq.ft.).</p> <p>The land use rights of the property have been granted for a term from 20th November 2000 to 19th November 2070 for residential use.</p>	The property is vacant.	RMB8,470,000

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2002) 008630 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 2nd September 2002, the land use rights and building ownership of the property, comprising a site area of 450 sq.m. and a gross floor area of 354.41 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 20th November 2000 to 19th November 2070 for residential use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2002) 008630 dated 2nd September 2002, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a total gross floor area of 354.41 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
20	4 residential units and 4 car parks situated at Nos. 2, 7 and 10, Lane 568, Julu Road, Xuhui District, Shanghai the PRC	<p>The property comprises 4 residential units and 4 car parking spaces in an 8-storey and a 19-storey residential buildings which were completed between 1997 and 1998.</p> <p>The property has a total gross floor area of 518.87 sq.m. (5,585 sq.ft.), including 4 car parking spaces.</p> <p>The land use rights of the property have been granted for respective terms from 22nd November 2004 to 15th May 2064 for residential use and from 22nd November 2004 to 1st July 2036 for car park use.</p>	The property is vacant.	RMB9,860,000

*Notes:—*

- (1) According to Shanghai Certificates of Real Estate Ownership issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 22nd November 2004, the land use rights and building ownership of the property, comprising a total gross floor area of 518.87 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 22nd November 2004 to 15th May 2064 for residential use and 22nd November 2004 to 1st July 2036 for car park use with details as follows:—

Certificate No.	Unit No.	Car Park No.	Gross Floor Area (sq.m.)
(2004) 000361	Unit A, Level 5, No. 2	Car Park No. 263 in Basement, No. 10	165.41
(2004) 000362	Unit C, Level 5, No. 7	Car Park No. 260 in Basement, No. 10	94.94
(2004) 000363	Unit A, Level 2, No. 7	Car Park No. 120 in Basement, No. 10	103.09
(2004) 000364	Unit B, Level 1, No. 2	Car Park No. 129 in Basement, No. 10	155.43
<b>Total:</b>			<b>518.87</b>

- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
- (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;

- (ii) According to Shanghai Certificates of Real Estate Ownership Nos. (2004)000361, (2004)000362, (2004)000363 and (2004)000364 dated 22nd November 2004, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a total gross floor area of 518.87 sq.m. including car park use;
- (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
- (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in May 2005 at an acquisition cost of RMB3,280,720.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
21	16 shops situated at Lanes 1187 and 1351 Nanmatou Road, Pudong New District, Shanghai, the PRC	<p>The property comprises 16 shops of a residential development which were completed in 1995 and 1997.</p> <p>The property has a total gross floor area of 2,620.01 sq.m. (28,202 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential and commercial uses.</p>	The property is subject to various tenancies with the latest expiry date on 14th January 2014 at a monthly rent of RMB113,088.33.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificates of Real Estate Ownership Nos. (1999)018730 and (2004)134027 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 24th May 1999 and 26th November 2004, the land use rights and building ownership of Lanes 1187 and 1351, Nos. 1427 to 1431 Nanmatou Road and Nos. 607 to 643 Changli Road East, comprising a total gross floor area of 48,941.51 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential and commercial uses.
- (2) According to aforesaid Shanghai Certificates of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB41,440,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificates of Real Estate Ownership Nos. (1999)018730 and (2004)134027 issued on 24th May 1999 and 26th November 2004 respectively, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, currently comprising gross floor areas of 1,688.30 sq.m. and 931.71 sq.m. respectively;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and



- (v) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
22	6 residential units situated at Nos.73 and 74, Lane 301, Sanjiang Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 6 residential units of a 6-storey residential building which was completed in 1998.</p> <p>The property has a total gross floor area of 765.72 sq.m. (8,242 sq.ft.).</p> <p>The land use rights of the property have been granted for a land use term from 8th January 1999 to 7th January 2069 for residential use.</p>	The property is vacant.	RMB7,510,000

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (1999)000127 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 11th January 1999, the land use rights and building ownership of Nos. 73 to 75, Lane 301, Sanjiang Road, comprising a site area of 1,581 sq.m. and a gross floor area of 3,518.28 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 8th January 1999 to 7th January 2069 for residential use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (1999)000127 dated 11th January 1999, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, currently comprising a gross floor area of 765.72 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
23	3 residential units and 1 shop situated at Caoxi 2nd Village, Xuhui District, Shanghai, the PRC	<p>The property comprises 3 residential units and a shop of a residential development which was completed in 1990s.</p> <p>The property has a total gross floor area of 289.07 sq.m. (3,112 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential and commercial uses.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificates of Real Estate Ownership Nos. (2000)036350 and (2001)033570 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 24th August 2000 and 29th April 2001 respectively, the land use rights and building ownership of various units situated at Nos. 201 to 203 and 207 to 212, Caoxi 2nd Village and Nos. 106 to 108, Caodongzhi Road have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential and commercial uses.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB3,240,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificates of Real Estate Ownership Nos. (2000)036350 and (2001)033570 issued on 24th August 2000 and 29th April 2001 respectively, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of part of the property, currently comprising gross floor areas of 193.18 sq.m. and 95.89 sq.m. respectively;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and

- (v) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificates of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
24	6 residential units situated at Nos. 39, 41 and 42, Lane 300, Qinzhou Road South, Xuhui District, Shanghai, the PRC	<p>The property comprises 6 residential units of the 6-storey residential buildings which were completed in 1994.</p> <p>The property has a total gross floor area of 323.78 sq.m. (3,485 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	The property is vacant.	RMB2,750,000

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2000)025701 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 17th July 2000, the land use rights and building ownership of various units situated at Nos. 7 to 8, 10, 17, 25 to 26, 31 to 34, 39 to 42, Lane 300, Qinzhou Road South, comprising a site area of 12,127 sq.m. and a gross floor area of 17,169.53 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2000)025701 dated 17th July 2000, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, currently comprising a gross floor area of 323.78 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
25	14 residential units situated at Nos. 1-5, 24, 49 and 57, Lane 301, Sanjiang Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 14 residential units of a residential development which was completed in 1990s.</p> <p>The property has a total gross floor area of 592.73 sq.m. (6,380 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term and use.</p>	Unit 602, 603, 604 and 605 of No. 1 and Unit 604 of No. 57 are subject to various tenancies with the latest expiry date on 30th June 2008 at a monthly rent of RMB3,500 and the remaining portion is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. 83239 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 30th July 1996, the building ownership of various units situated at Nos. 1 to 17, 19 to 21, 24 to 58 and 63 to 68, Lane 301, Sanjiang Road, comprising a gross floor area of 35,407.06 sq.m., have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司).
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB5,760,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. 83239, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, currently comprising a gross floor area of 592.73 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and

- (vi) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
26 Unit 102, No. 80 Changqiao 3rd Village, Xuhui District, Shanghai, the PRC	<p>The property comprises a shop of a 6-storey residential building which was completed in 1990s.</p> <p>The property has a gross floor area of 54.39 sq.m. (585 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential use.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. 20157 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 23rd August 1995, the building ownership of Nos. 46 to 52, 54 to 55, 58 to 63, 65 to 67, 70 to 76, 80 to 83, 125 to 131, 136, 137, 145 to 149 and 155 to 159, Changqiao 3rd Village, comprising a gross floor area of 30,986.25 sq.m., have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB880,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. 20157 dated 23rd August 1995, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, comprising a total gross floor area of 54.39 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;



- (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
- (vi) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
27	12 residential units and 7 shops situated at Lanes 9, 14 and 30, Guilin Street West, Xuhui District, Shanghai, the PRC	<p>The property comprises 12 residential units and 7 shops of the 6- and 8-storey residential buildings which were completed in 1995.</p> <p>The property has a total gross floor area of 896.45 sq.m. (9,649 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	No. 1 and 17 are leased for a term from 1st July 2006 to 30th June 2011 at a monthly rent of RMB25,500 and the remaining portion is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership Nos. 01227, 82750 and 82854 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 27th November 1995, 29th February 1996 and 30th May 1996 respectively, the building ownership of No.1 Lane 14, Nos. 1-27 Lane 30 and Nos. 1-55 Lane 9, Guilin Street West have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB9,840,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership Nos. 01227, 82750 and 82854, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a gross floor area of 896.45 sq.m.
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;

- (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
- (vi) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
28	3 residential units situated at Lanes 50, 51 and 105 Dongquan Road, Xuhui District, Shanghai the PRC	<p>The property comprises 3 residential units of a residential development which was completed in 1990s.</p> <p>The property has a total gross floor area of 138.79 sq.m. (1,494 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership Nos. 83163, 83164 and 83235 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 30th July 1996, the building ownership of various units situated at Nos. 1 to 21, 23 to 25 and 27 to 30 of Lane 50, Nos. 1 to 26 of Lane 51, Nos. 1 to 38 of Lane 105 Dongquan Road, have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB1,190,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership Nos. 83163, 83164 and 83235 on 30th July 1996, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, comprising a gross floor areas of 138.79 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and

- (vi) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
29	3 residential units situated at No.1 Lane 105 Taiyuan Road and No.425 Yongjia Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 3 residential units of the 6-storey residential buildings which were completed in 1995 and 1996.</p> <p>The property has a total gross floor area of 543.87 sq.m. (5,854 sq.ft.).</p> <p>The land use rights of Units 101 and 102 have been granted for unspecified term for residential use whilst the land use rights of Unit 303 have been allocated for an unspecified term for residential use.</p>	The property is subject to various tenancies with the latest expiry date on 19th March 2011 at a monthly rent of RMB13,300.	RMB5,730,000

## Notes:—

- (1) According to 3 Shanghai Certificates of Real Estate Ownership issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 28th September 1998 and 20th January 2001 respectively, the land use rights and building ownership of the property, comprising a total site area of 227.70 sq.m. and a total gross floor area of 543.87 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use with details as follows:—

Certificate No.	Type of Land Use Term	Location	Car Park Gross Floor Area (sq.m.)	Apportioned Site Area (sq.m.)	Gross Floor Area (sq.m.)
(1998)010783	Allocation	Unit 303 situated at No. 425 Yongjia Road	—	84.10	196.53
(2001)000472	Grant	Unit 102 and Car Park No. 18, No. 1, Lane 105, Taiyuan Road	35.35	79.40	192.07
(2001)000473	Grant	Unit 101 and Car Park No. 20, No. 1, Lane 105, Taiyuan Road	35.35	64.20	155.27
<b>Total:</b>			<b>70.70</b>	<b>227.70</b>	<b>543.87</b>

According to Shanghai Certificate of Real Estate Ownership No. (1998)010783, Unit 303 is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB3,250,000.

- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.

- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:–
- (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificates of Real Estate Ownership Nos. (1998)010783, (2001)000472 and (2001)000473 dated 28th September 1998 and 20th January 2001, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a gross floor area of 543.87 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights of Shanghai Certificates of Real Estate Ownership Nos. (1998)010783 are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.
- (4) Portion of the property with the Shanghai Certificate of Real Estate Ownership no. (1998) 010783 has a gross floor area of approximately 196.53 sq.m.. The land use rights of this portion of the property is in allocation nature. In valuing the property, we have assigned no commercial value to this portion of the property.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–
- |   |     |
|---|-----|
| Shanghai Certificate of Real Estate Ownership | Yes |
| Business Licence                              | Yes |

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
30	12 residential units situated at Lane 25, Wuxing Road, Xuhui District, Shanghai, the PRC	<p>The property 12 residential units of the 7-, 8- and 10-storey residential buildings which were completed in 1995.</p> <p>The property has a total gross floor area of 1,831.21 sq.m. (19,711 sq.ft.).</p> <p>The land use rights of the property have been granted for terms from 11th September 2000 to 2nd September 2062 and from 19th December 2000 to 2nd September 2062 respectively for residential use.</p>	Unit 102 of No.2 is leased for a term from 1st January 2007 to 31st December 2007 at a monthly rent of RMB9,522 and the remaining portion is vacant.	RMB43,070,000

## Notes:—

- (1) According to 12 Shanghai Certificates of Real Estate Ownership issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights and building ownership of the property, comprising a total site area of 543.80 sq.m. and a total gross floor area of 1,831.21 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for residential use with details as follows:—

Certificate No.	Issuance Date	Unit No./ Block No.	Apportioned Site Area (sq.m.)	Gross Floor Area (sq.m.)	Land Use Term
(2000)006821	24th October 2000	Unit 101, No. 6	43.60	143.93	11th September 2000 to 2nd September 2062
(2000)006822	24th October 2000	Unit 201, No. 5	52.40	179.33	11th September 2000 to 2nd September 2062
(2000)006823	24th October 2000	Unit 401, No. 8	46.40	151.16	11th September 2000 to 2nd September 2062
(2000)006827	24th October 2000	Unit 302, No. 6	52.40	180.77	11th September 2000 to 2nd September 2062
(2000)006830	24th October 2000	Unit 202, No. 9	46.40	152.63	11th September 2000 to 2nd September 2062
(2000)006832	24th October 2000	Unit 101, No. 3	36.10	114.65	11th September 2000 to 2nd September 2062
(2000)007882	4th December 2000	Unit 302, No. 8	49.60	162.14	11th September 2000 to 2nd September 2062
(2000)007883	4th December 2000	Unit 202, No. 4	38.40	120.30	11th September 2000 to 2nd September 2062
(2001)000174	9th January 2001	Unit 501, No. 1	49.40	186.91	19th December 2000 to 2nd September 2062
(2001)000180	9th January 2001	Unit 502, No. 4	38.40	120.30	19th December 2000 to 2nd September 2062



Certificate No.	Issuance Date	Unit No./ Block No.	Apportioned Site Area (sq.m.)	Gross Floor Area (sq.m.)	Land Use Term
(2001)000182	9th January 2001	Unit 201, No. 6	53.10	180.44	19th December 2000 to 2nd September 2062
(2001)000183	9th January 2001	Unit 102, No. 2	37.60	138.65	19th December 2000 to 2nd September 2062
<b>Total:</b>			<b>543.80</b>	<b>1,831.21</b>	

- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:-
- (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000
- (ii) According to 12 Shanghai Certificates of Real Estate Ownership Nos. (2000)006821, (2000)006822, (2000)006823, (2000)006827, (2000)006830, (2000)006832, (2000)007882, (2000)007883, (2001)000174, (2001)000180, (2001)000182 and (2001)000183 dated 24th October 2000, 4th December 2000 and 9th January 2001, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a total gross floor area of 1,831.21 sq.m.;
- (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
- (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
31	2 residential units and 2 car parks situated at No. 2, Lane 178, Hongqiao Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 residential units and 2 car parks of a 27-storey residential building which was completed in 2002.</p> <p>The property has a total gross floor area of 371.94 sq.m. (4,004 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	The property is vacant.	RMB6,430,000

*Notes:—*

- (1) According to Shanghai Certificates of Real Estate Ownership No. (2003)004378 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 10th February 2003, the land use rights and building ownership of No. 2 Lane 178 Hongqiao Road, comprising a total site area of 194 sq.m. and a total gross floor area of 985.74 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2003)004378 dated 10th February 2003, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a gross floor area of 371.94 sq.m. for an unspecified term for residential use;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in December 2002 at an acquisition cost of RMB2,963,580.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
32	9 residential units, a clubhouse and 229 car parks situated at Lane 168, Nandan Road East and No. 318 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 9 residential units, a clubhouse and 229 car parks of the 18- to 30-storey residential buildings which were completed in 2006.</p> <p>The property has a total gross floor area of 2,734.84 sq.m. (29,438 sq.ft.).</p> <p>The land use rights of the property have been granted for a term from 12th June 2001 to 11th June 2071 for residential use.</p>	The property is vacant.	RMB112,390,000

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2006)004901 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 21st March 2006, the land use rights and building ownership of Nos. 1 to 9, Lane 168, Nandan Road East and No. 318 Tianyaoqiao Road, comprising a site area of 21,587 sq.m. and a gross floor area of 89,087.85 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 12th June 2001 to 11th June 2071 for residential use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2006)004901 dated 21st March 2006, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a gross floor area of 2,734.84 sq.m. and 229 car parks for a term from 12th June 2001 to 11th June 2071 for residential use;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
33	A club house, an office building and several shops situated at Nos. 1 to 21, Lane 88 and Nos. 32-68 (even), Sanjiang Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a club house, an office building and several shops of a residential development which was completed in 2004.</p> <p>The property has a total gross floor area of 5,706.79 sq.m. (61,428 sq.ft.).</p> <p>The land use rights of the property have been granted for a term from 20th November 2001 to 20th November 2071 for residential use.</p>	The club house and Nos. 36-60 and 64 are subject to various tenancies with the latest expiry date on 30th October 2011 at a monthly rent of RMB68,500.	RMB72,090,000

*Notes:—*

- (1) According to Shanghai Certificates of Real Estate Ownership No. (2004)025780 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 7th July 2004, the land use rights and building ownership of various units situated at Nos. 1 to 21, Lane 88 and Nos. 32 to 68 (even) Sanjiang Road, comprising a gross floor areas of 129,501.26 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 20th November 2001 to 20th November 2071 for residential use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificates of Real Estate Ownership No. (2004)025780 dated 7th July 2004, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a gross floor areas of 5,706.79 sq.m. for a land use term from 20th November 2001 to 20th November 2071 for residential use;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is subject to a mortgage in favor of Shanghai Branch of Bank of Communication to an extent of RMB55,000,000 from 25th August 2006 to 20th August 2009.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
34	3 residential units situated at Lane 14 Guilin Street West, Xuhui District, Shanghai, the PRC	<p>The property comprises 3 residential units of 6-storey residential buildings which were completed in 1993.</p> <p>The property has a total gross floor area of 130.24 sq.m. (1,402 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2000)060411 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 27th November 2000, the land use rights and building ownership of various units situated at Nos. 2-20 Lane 14 Guilin Street West, comprising a site area of 16,871.20 sq.m. and a gross floor area of 18,739 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB1,280,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2000)060411, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 130.24 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
35	Unit 308, No. 4, Lane 1057 Zhongshan South 2nd Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a 24-storey residential building which was completed in 1994.</p> <p>The property has a total gross floor area of 54.37 sq.m. (585 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is leased for a term from 7th September 2007 to 5th September 2008 at a monthly rent of RMB1,100.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (1998)008978 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 28th August 1998, the land use rights and building ownership of various units situated at Nos.1, 6, 4, 7 Lane 1057 Zhongshan South No.2 Road, comprising a site area of 8,081 sq.m. and a gross floor area of 46,787.14 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB540,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (1998)008978, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 54.37 sq.m. for an unspecified term;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes



	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
36	Unit 703, No.204 Guanshengyuan Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a 7-storey residential building which was completed in 1995.</p> <p>The property has a total gross floor area of 55.81 sq.m. (601 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2003)014983 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 8th May 2003, the land use rights and building ownership of the property, comprising an apportioned site area of 8 sq.m. and a gross floor area of 55.81 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB520,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2003)014983, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 55.81 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in December 2002 at an acquisition cost of RMB171,871.

- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
37	2 residential units situated at Lane 191 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 residential units of an 18-storey residential building which was completed in 1991.</p> <p>The property has a total gross floor area of 130.72 sq.m. (1,407 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership Nos. (2005)030836 and (2005)030837 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 18th October 2005, the land use rights and building ownership of the property, comprising an apportioned site area of 7.1 sq.m. and a gross floor area of 130.72 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB1,790,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership Nos. (2005)030836 and (2005)030837, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 130.72 sq.m. for an unspecified term;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.

- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in September 2005 at an acquisition cost of RMB1,686,620.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
38 Unit 505, No. 629 Guangyuan Road West, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a residential building which was completed in 1995.</p> <p>The property has a total gross floor area of 82.71 sq.m. (890 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2005)020018 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局) on 25th May 2005, the land use rights and building ownership of the property, comprising an apportioned site area of 15.9 sq.m. and a gross floor area of 82.71 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB870,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2005)020018, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 82.71 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
39 Unit 904 No.59, Lane 380 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a residential building which was completed in 2000.</p> <p>The property has a total gross floor area of 145.51 sq.m. (1,566 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term.</p>	The property is vacant.	RMB2,120,000

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2006)019546 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 31st July 2006, the land use rights and building ownership of the property, comprising an apportioned site area of 31.7 sq.m. and a gross floor area of 145.51 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2006)019546, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 145.51 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in May 2004 at an acquisition cost of RMB515,840.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
40	2 residential units situated at Lane 15 Guilin Street West, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 residential units of a residential building which was completed in 1990s.</p> <p>The property has a total gross floor area of 102.74 sq.m. (1,106 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2003)017985 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 21st May 2003, the building ownership of the property have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB1,010,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2003)017985, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 102.74 sq.m. for an unspecified term;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.



- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in November 2002 at an acquisition cost of RMB48,507.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
41	2 residential units situated at Lanes 50 and 60 Yishan Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 residential units of a 7-storey residential building which was completed in 1990s.</p> <p>The property has a total gross floor area of 110.53 sq.m. (1,190 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is subject to various tenancies with the latest expiry date on 18th July 2008 at a monthly rent of RMB2,000.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership Nos. (2005)004900 and (2005)004902 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局) on 24th January 2005, the building ownership of the property, comprising an apportioned land area of 16.4 sq.m. and a gross floor area of 110.53 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB1,280,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership Nos. (2005)004900 and (2005)004902, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 110.53 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired without cost.

- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
42 Unit 106, No.1, Lane 111 Huarong Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of an 18-storey residential building which was completed in 1997.</p> <p>The property has a total gross floor area of 63.09 sq.m. (679 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	<p>The property is leased for a term from 10th September 2007 to 9th September 2008 at a monthly rent of RMB1,500.</p>	<p>No Commercial Value (Please see Note (2))</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2006)019039 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局) on 29th July 2006, the building ownership of the property, comprising an apportioned land area of 3.2 sq.m. and a gross floor area of 63.09 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB630,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2006)019039, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 63.09 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
43 Unit 302, No.13 Dong'an 5th Village, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a 6-storey residential building which was completed in 1989.</p> <p>The property has a total gross floor area of 37.23 sq.m. (401 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is leased for a term from 1st November 2005 to 31st December 2008 at a monthly rent of RMB400.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2005)018016 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局) on 12th May 2005, the building ownership of the property, comprising an apportioned land area of 6.2 sq.m. and a gross floor area of 37.23 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB370,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2005)018016, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 37.23 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired without cost.

- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
44	Units 602 and 204 No. 28 Lane 30 Guilin Street West, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 residential units of a residential building which was completed in 1990s.</p> <p>The property has a total gross floor area of 124.12 sq.m. (1,336 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	The property is vacant.	RMB1,220,000

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2001)022323 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 29th March 2001, the land use rights and building ownership of various units situated at No. 28 Lane 30 Guilin Street West, comprising a site area of 85.10 sq.m. and a gross floor area of 308.05 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2001)022323, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 124.12 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—
 

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes



	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
45	Several shops situated at Nos. 117-123 Shilong Road, Xuhui District, Shanghai, the PRC	<p>The property comprises several shops of a residential development which was completed in 1994.</p> <p>The property has a total gross floor area of 174.72 sq.m. (1,881 sq.ft.).</p> <p>The land use rights of the property have been granted for a term from 14th March 2005 to 13th March 2045 for commercial use.</p>	The property is subject to various tenancies with the latest expiry date on 30th October 2010 with a monthly rent of RMB13,200.	RMB2,990,000

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2005)014908 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights and building ownership of various units situated at Nos. 117-123 Shilong Road, comprising a site area of 93 sq.m. and a gross floor area of 524.17 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 14th March 2005 to 13th March 2045 for commercial use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2005)014908, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 174.72 sq.m. for a land use term from 14th March 2005 to 13th March 2045;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
46	Several shops situated at Nos. 101-115 Shilong Road and Nos. 5, 68 and 72 Dongquan Road, Xuhui District, Shanghai, the PRC	<p>The property comprises several shops of a residential development which was completed in 1994.</p> <p>The property has a total gross floor area of 559.64 sq.m. (6,024 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is subject to various tenancies with the latest expiry date at 14th May 2011 with a monthly rent of RMB26,530.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificates of Real Estate Ownership Nos.(2002)032246, (2000)054050, (2000)054073 and (2000)054074 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 23rd October 2002 and 7th November 2000 respectively, the building ownership of various units situated at Nos.101-115 Shilong Road and Nos. 5, 68 and 72 Dongquan Road have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB9,490,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership Nos.(2002)032246, (2000)054050, (2000)054073 and (2000)054074, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 559.64 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
47	7 residential units situated at Nos. 4 and 5 Yu Lan Hua Yuan, Caoxi Road North, Xuhui District, Shanghai, the PRC	<p>The property comprises several residential units of a residential development which was completed in 1992.</p> <p>The property has a total gross floor area of 467.65 sq.m. (5,034 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is leased for a term from 1st September 2006 to 31st August 2008 at a monthly rent of RMB4,100.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership Nos.00421 and 00422 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 23rd June 1994, the building ownership of various units situated at Nos.4-5 Yu Lan Hua Yuan, Caoxi Road North, comprising a total gross floor area of 22,067.57 sq.m., have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified land use term.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB5,550,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership Nos.00421 and 00422, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, comprising a gross floor area of 467.65 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and

- (vi) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
48	2 shops situated at No.30 Gao'an Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 shops of a residential building which was completed in 1990s.</p> <p>The property has a total gross floor area of 143.94 sq.m. (1,549 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No.0080237 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 29th February 1996, the building ownership of various units situated at No.30 Gao'an Road have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified land use term.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB2,880,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No.0080237, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, comprising a gross floor area of 143.94 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (vi) The property is not subject to any mortgage.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
49 Units 203 and 2403, No.1 Lane 47 Gao'an Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 residential units of a residential building which was completed in 1990s.</p> <p>The property has a total gross floor area of 58.60 sq.m. (631 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No.80238 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the building ownership of various units situated at No.1 Lane 47 Gao'an Road have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB910,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No.80238, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, comprising a gross floor area of 58.60 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (vi) The property is not subject to any mortgage.



- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
50	Portion of Level 4, No. 35 Leshan Road, Xuhui District, Shanghai, the PRC	<p>The property comprises portion of Level 4 of an office building which was completed in 1990s.</p> <p>The property has a total gross floor area of 1,106 sq.m. (11,905 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No.0083133 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 30th July 1996, the building ownership of various units situated at No.35 Leshan Road, comprising a gross floor area of 1,106 sq.m. have been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified land use term for office use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB9,040,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No.0083133 on 30th July 1996, Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) has obtained the building ownership of the property, comprising a gross floor area of 1,106 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);
  - (iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (v) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and

- (vi) The property is not subject to any mortgage.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
51	A car park situated at Nos. 1-2, Lane 99 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a car park of a residential development which was completed in 2003.</p> <p>The land use rights have been granted for a term from 5th November 2002 to 7th June 2051.</p>	The property is vacant.	RMB180,000

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2003)034105 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 30th September 2003, the land use rights and building ownership of various units situated at Nos. 1 to 2, Lane 99 and Nos. 91 to 97 (odd) Zhaojiabang Road, comprising a site area of 2,901 sq.m. and a gross floor area of 20,360.96 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) and Shanghai Nianping Real Estate Development Co., Ltd. (上海年平房地產開發有限公司) for a land use term from 5th November 2002 to 7th June 2051 for composite use.
- (2) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2003)034105 on 30th September 2003, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the land use rights and building ownership of the property, comprising a car park;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
52	Unit 801, No. 21, Lane 45, Yude Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a 17-storey residential building which was completed in 1995.</p> <p>The property has a gross floor area of 89.33 sq.m. (962 sq.ft.).</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2006)023293 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 29th September 2006, the building ownership of the property, comprising a gross floor area of 89.33 sq.m., has been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.
- (2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB1,050,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2006)023293 on 29th September 2006, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the building ownership of the property, comprising a gross floor area of 89.33 sq.m.;
  - (iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in January 2004 at an acquisition cost of RMB696,774.

- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
53	Various units with use rights in Shanghai, the PRC	The property comprises various units which were completed in 1990s.	The property is vacant.	No Commercial Value (Please see Note (2))

Notes:—

- (1) As advised by the Urban Development Group, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the use rights of the property. The details of the property are summarized as follows:—

Location	Usage	Lettable Area (sq.m.)	Gross Floor Area (sq.m.)
Unit 1607, No. 503, Shimen No.2 Road	Residential		103.00
Unit 103, No. 4, Longchuan Road North	Residential	67.00	
Unit 101, No. 21, Xi Hu Yuan (Xihuan Road)	Residential	17.50	35.93
Unit 201, No. 28, Lane 329, Xinhua Road	Residential	14.20	
Unit 804, No. 383, Zhaojiabang Road	Residential	16.10	
Unit 101, No. 23, Lane. 141, Yongkang Road	Retail	33.10	
Unit 701, No. 47, Lane. 1382, Lujiabang Road	Residential	20.00	41.59
No. 63, Xi Xue Jia Zhai, Guanshengyuan Road	Residential	109.71	
Unit 202, No. 20, Longnan 5th Village	Residential		69.87
Unit 24, No. 10, Lane 230, Dong'an Road	Residential	21.70	
Unit 304, No. 114, Tianlin 14th Village	Residential	17.30	
Unit 501, No. 85 Tai'an Road	Residential	20.00	
Unit 301, No.19 Tianlin 11thVillage	Residential	26.10	
Unit 108, No. 11 Lane 45 Yude Road	Residential		65.14

- (2) As at the date of valuation, Shanghai Certificate of Real Estate Ownership of the property has not been obtained yet. However, on the assumption that the legal title of the property has been obtained and the property can be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB7,460,000.
- (3) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
- (i) According to Business Licence No. 310000000043933 dated 31st July 2007, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established for an unbounded operating period from 30th April 1996. The current registered capital is RMB301,330,000; and
- (ii) According to List for Residential Exchange (單位住房調用單) or List for Residential Allocated (住房調配單), Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the use rights of the property.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the Shanghai Certificate of Real Estate Ownership of the property is not able to be obtained.

- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	No
List for Residential Exchange or List for Residential Allocated	Yes
Business Licence	Yes



	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
54	3 shops situated at Nos. 723, 725 and 727, Longchuan Road North, Xuhui District, Shanghai, the PRC	<p>The property comprises 3 shops of a 6-storey residential building which was completed in about 2000.</p> <p>The property has a total gross floor area of 119.34 sq.m. (1,285 sq.ft.).</p> <p>The land use rights of the property have been granted for a term from 14th May 2003 to 4th January 2072 for residential use.</p>	The property is vacant.	<p>RMB1,980,000</p> <p>(95% interest attributable to the Urban Development Group: RMB1,881,000)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局), the land use rights and building ownership of various units situated at Nos. 723-727, 731-735 Longchuan Road North and Nos. 29-32 Lane 570 Luocheng Road, comprising a site area of 3,131 sq.m. and a gross floor area of 4,991.91 sq.m., have been vested in Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) for a land use term from 14th May 2003 to 4th January 2072 for residential use.
- (2) As at the date of valuation, Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) has transferred the building ownership of the property to Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) and all the amount has been paid. However, the change of the owner has not been applied.
- (3) According to Business Licence No. 310104018481 dated 26th April 2006, Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) was established for an operating period from 2nd August 1993 to 26th November 2007. The current registered capital is RMB20,000,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310104018481, Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) was established on 2nd August 1993 for an operating period from 2nd August 1993 to 26th November 2007 and is 95% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) (95%). The current registered capital is RMB20,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership, Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) has obtained the building ownership of the property, comprising a gross floor area of 119.34 sq.m.. However, the building ownership of the property has been transferred to Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) and the change of the owner has not been applied. Hence, Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) is not entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property within the specified period; and
  - (iii) The property is not subject to any mortgage.

- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
55	An industrial complex situated at Longchuan Road North and Luocheng Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a temporary industrial complex erected on a parcel of land with a site area of approximately 62,357 sq.m.</p> <p>The property has a gross floor area of 25,363 sq.m. (273,007 sq.ft.).</p> <p>The land use rights have not been obtained by the Urban Development Group.</p>	The property is leased for an unspecified term at a monthly rent of RMB366,666.67.	No Commercial Value (Please see Note (1))

*Notes:—*

- (1) As at the date of valuation, Shanghai Certificate of Real Estate Ownership of the property has not been obtained yet. However, on the assumption that the legal title of the property has been obtained and the property can be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB88,000,000 (95% interest attributable to the Urban Development Group: RMB83,600,000).
- (2) According to Business Licence No. 310104018481 dated 26th April 2006, Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) was established for an operating period from 2nd August 1993 to 26th November 2007. The current registered capital is RMB20,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 310104018481, Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) was established on 2nd August 1993 for an operating period from 2nd August 1993 to 26th November 2007 and is 95% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB20,000,000; and
  - (ii) Due to no title documents or approval obtained by Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司), Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司) has not obtained the land use rights of the property and should maintain the existing status of the property until the land use rights will be taken back by the government. Besides, compensation will be paid to Shanghai Shilong Industrial Zone Joint Development Co., Ltd. (上海石龍工業區聯合發展有限公司).
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the Shanghai Certificate of Real Estate Ownership of the property is not able to be obtained.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	No
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
56 Unit 603, No. 1, Lane 2666, Hongmei Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a unit of a 6-storey residential building which was completed in 1995.</p> <p>The property has a gross floor area of 62.65 sq.m. (674 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	<p>The property is vacant.</p>	<p>RMB520,000</p> <p>(51% interest attributable to the Urban Development Group: RMB265,200)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2003)004613 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局) on 12th February 2003, the land use rights and building ownership of 2 units situated at No. 1, Lane 2666, Hongmei Road, comprising an apportioned site area of 63.8 sq.m. and a gross floor area of 122.81 sq.m., have been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2003)004613 on 12th February 2003, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the land use rights and building ownership of the property, comprising a gross floor area of 62.65 sq.m.;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in July 2003 at an acquisition cost of RMB142,079.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
57	2 residential units situated at No. 50, Lane 1000, Huajin Road, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 units of a 6-storey residential building which was completed in 1996.</p> <p>The property has a gross floor area of 144.16 sq.m. (1,552 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	<p>The property is vacant.</p>	<p>RMB970,000</p> <p>(51% interest attributable to the Urban Development Group: RMB494,700)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2002)035895 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 27th November 2002, the land use rights and building ownership of various units situated at No. 50, Lane 1000, Huajin Road, comprising a site area of 223.70 sq.m. and a gross floor area of 403.20 sq.m., have been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2002)035895 on 27th November 2002, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the building ownership of the property, comprising a gross floor area of 144.16 sq.m.;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in July 2003 at an acquisition cost of RMB326,930.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
58	A residential unit situated at Lane 1296, Laohumin Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a 6-storey residential building which was completed in 1994.</p> <p>The property has a total gross floor area of 38.68 sq.m. (416 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	<p>The property is vacant.</p>	<p>RMB250,000</p> <p>(51% interest attributable to the Urban Development Group: RMB127,500)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2002)035896 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 27th November 2002, the land use rights and building ownership of various units situated at Nos. 2, 3, 4, 10, 26 and 38, Lane 1296, Laohumin Road, comprising a site area of 101.21 sq.m. and a gross floor area of 577.40 sq.m., have been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2002)035896 on 27th November 2002, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the building ownership of the property, comprising a gross floor area of 38.68 sq.m.;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in July 2003 at an acquisition cost of RMB87,719.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
59 Unit 401, No. 3, Lane 38, Shajiabang Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a 6-storey residential building which was completed in 2000.</p> <p>The property has a gross floor area of 85.86 sq.m. (924 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	<p>The property is vacant.</p>	<p>RMB590,000</p> <p>(51% interest attributable to the Urban Development Group: RMB300,900)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2003)004614 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 12th February 2003, the land use rights and building ownership of various units situated at Nos. 3, 4, 5 and 35, Lane 38, Shajiabang Road, comprising a site area of 993.50 sq.m. and a gross floor area of 1,747.44 sq.m., have been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2003)004614 on 12th February 2003, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the building ownership of the property, comprising a gross floor area of 85.86 sq.m.;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in July 2003 at an acquisition cost of RMB194,716.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
60	Units 1008 and 1508, No. 23, Meilong 8th Village, Xuhui District, Shanghai, the PRC	<p>The property comprises 2 residential units of an 18-storey residential building which was completed in 1993.</p> <p>The property has a total gross floor area of 162.62 sq.m. (1,750 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	The property is vacant.	<p>RMB1,370,000</p> <p>(51% interest attributable to the Urban Development Group: RMB698,700)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2003)009964 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 9th April 2003, the land use rights and building ownership of the property, comprising an apportioned site area of 8.80 sq.m. and a gross floor area of 162.62 sq.m., have been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2003)009964 on 9th April 2003, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the land use rights and building ownership of the property, comprising an apportioned site area of 8.80 sq.m. and a gross floor area of 162.62 sq.m. respectively;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in July 2003 at an acquisition cost of RMB368,795.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes



Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
61 Unit 602, No. 23 Luoxiu 2nd Village, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of a 6-storey residential building which was completed in 1995.</p> <p>The property has a total gross floor area of 84.28 sq.m. (907 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	<p>The property is vacant.</p>	<p>RMB670,000</p> <p>(51% interest attributable to the Urban Development Group: RMB341,700)</p>

## Notes:—

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2002)035897 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 27th November 2002, the land use rights and building ownership of various units situated at Nos.11, 23, 27 30, 31 Luoxiu 2nd Village, comprising a site area of 291.9 sq.m. and a gross floor area of 495.33 sq.m., have been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2002)035897 on 27th November 2002, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the building ownership of the property, comprising a gross floor area of 84.28 sq.m.;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in July 2003 at an acquisition cost of RMB191,132.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
62	Unit 602, No.115, Block 7, Hongbao 1st Village, Xidu Town, Fengxian District, Shanghai, the PRC	<p>The property comprises a residential unit of a 6-storey residential building which was completed in 1994.</p> <p>The property has a total gross floor area of 68.5 sq.m. (737 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	<p>The property is vacant.</p>	<p>RMB210,000</p> <p>(51% interest attributable to the Urban Development Group: RMB107,100)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2003)016445 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 18th September 2003, the building ownership of the property, comprising a gross floor area of 68.5 sq.m., has been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2003)016445 on 18th September 2003, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the building ownership of the property, comprising a gross floor area of 68.5 sq.m.;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in November 2003 at an acquisition cost of RMB177,500.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
63	7 residential units situated at Xidu Town, Fengxian District, Shanghai, the PRC	<p>The property comprises 7 residential units in Xidu Town which were completed between 1994 and 1995.</p> <p>The property has a total gross floor area of 519.64 sq.m. (5,593 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential use.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to 7 Shanghai Certificates of Real Estate Ownership all issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局), the land use rights and building ownership of the property, comprising a total apportioned site area of 265.30 sq.m. and a total gross floor area of 519.64 sq.m., have been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified land use term for residential use with details as follows:—

Certificate No.	Issued Date	Address	Year of Completion	Apportioned Site Area (sq.m.)	Gross Floor Area (sq.m.)
(2003)015318	3rd September 2003	Unit 502, No. 65, Block 16, Shuiza Sub-district	1994	36.50	70.75
(2003)015791	5th September 2003	Unit 502, No. 1, Block 1, Julong Taiwan City	1995	40.40	63.58
(2003)016175	12th September 2003	Unit 501, No. 42, Block 16, Xiaotang New Village	1995	35.90	57.82
(2003)017251	29th September 2003	Unit 502, No. 326, Block 30 Hongbao 2nd Village	1995	50.30	79.03
(2003)017486	9th October 2003	Unit 202, No. 46, Block 24, Shuiza Sub-district	1994	41.00	80.62
(2003)017687	14th October 2003	Unit 302, No. 26, Block 6, Zayuan 2nd Village	1995	36.00	83.79
(2003)017694	14th October 2003	Unit 602, No. 8, Block 3, Hongbao New Town	1995	25.20	84.05
Total:				<u>265.30</u>	<u>519.64</u>

- (2) According to the aforesaid Shanghai Certificates of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB1,620,000 (51% interest attributable to the Urban Development Group: RMB826,200).

- (3) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:–
- (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to 7 Shanghai Certificates of Real Estate Ownership Nos. (2003)015318, (2003)015791, (2003)016175, (2003)017251, (2003)017486, (2003)017687 and (2003)017694, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the land use rights and building ownership of the property, comprising an apportioned site area of 265.30 sq.m. and a total gross floor area of 519.64 sq.m. respectively;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in November 2003 at an acquisition cost of RMB1,435,238.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
64	14 residential units situated at Nos. 143, 153 and 155, Hanghua 1st Village, Minhang District, Shanghai, the PRC	<p>The property comprises 14 residential units of a residential development which was completed in 1993.</p> <p>The property has a total gross floor area of 869.30 sq.m. (9,357 sq.ft.).</p> <p>The land use rights of the property have been allocated for an unspecified term for residential use.</p>	The property is vacant.	No Commercial Value (Please see Note (2))

*Notes:—*

- (1) According to 14 Shanghai Certificates of Real Estate Ownership all issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地资源管理局) on 13th October 2005, the building ownership of the property, comprising a total gross floor area of 869.30 sq.m., have been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use with details as follows:—

Certificate No.	Unit	Block No.	Gross Floor Area (sq.m.)
(2005)075313	404	155	54.85
(2005)074816	501	153	54.85
(2005)074817	301	153	54.85
(2005)074827	604	155	54.85
(2005)074829	201	153	54.85
(2005)074830	603	153	71.75
(2005)074831	602	155	71.75
(2005)074832	603	155	71.75
(2005)074833	201	155	54.85
(2005)074834	602	143	71.75
(2005)074835	603	143	71.75
(2005)074836	401	153	54.85
(2005)074837	501	155	54.85
(2005)074838	602	153	71.75
Total:			<u>869.30</u>

- (2) According to the aforesaid Shanghai Certificates of Real Estate Ownership, the land use rights of the property is in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB6,170,000 (51% interest attributable to the Urban Development Group: RMB3,146,700).
- (3) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.

- (4) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:–
- (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to 14 Shanghai Certificates of Real Estate Ownership Nos. (2005)075313, (2005)074816, (2005)074817, (2005)074827, (2005)074829, (2005)074830, (2005)074831, (2005)074832, (2005)074833, (2005)074834, (2005)074835, (2005)074836, (2005)074837 and (2005)074838 on 13th October 2005, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the building ownership of the property, comprising a total gross floor area of 869.30 sq.m.;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property;
  - (iv) The land use rights are in allocation nature. The ownership transference of the property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transference of the property is payable to the government or at its disposal; and
  - (v) The property is not subject to any mortgage.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in August 2005 at an acquisition cost of RMB5,541,787.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:–

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30th September 2007
65	Unit 101, No. 26, Zone 4, Lane 3118, Yindu Road, Minhang District, Shanghai, the PRC	<p>The property comprises a residential unit of a 6-storey residential building which was completed in 1995.</p> <p>The property has a gross floor area of 54.53 sq.m. (587 sq.ft.).</p> <p>The land use rights of the property have been transferred for an unspecified term for residential use.</p>	<p>The property is vacant.</p>	<p>RMB380,000</p> <p>(51% interest attributable to the Urban Development Group: RMB193,800)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2005)075512 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 18th October 2005, the building ownership of the property, comprising a gross floor area of 54.53 sq.m., has been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.
- (2) According to Business Licence No. 3101041003420 dated 18th March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established for an operating period from 18th March 1997 to 17th March 2027. The current registered capital is RMB10,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041003420, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established on 18th March 1997 for an operating period from 18th March 1997 to 17th March 2027 and is 51% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB10,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No. (2005)075512 on 18th October 2005, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has obtained the building ownership of the property, comprising a gross floor area of 54.53 sq.m.;
  - (iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in November 2005 at an acquisition cost of RMB387,439.
- (5) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

Property	Description and tenure	Particulars of Occupancy	Capital value in existing state as at 30th September 2007
66 Unit 403, No. 228 Wulumuqi Road South, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit of an 11-storey residential building which was completed in 1996.</p> <p>The property has a gross floor area of 158.89 sq.m. (1,710 sq.ft.).</p> <p>The land use rights of the property have been granted for an unspecified term for residential use.</p>	<p>The property is vacant.</p>	<p>RMB2,490,000</p> <p>(60% interest attributable to the Urban Development Group: RMB1,494,000)</p>

*Notes:—*

- (1) According to Shanghai Certificate of Real Estate Ownership No.(2000)001017 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) on 13th January 2000, the land use rights and building ownership of the property, comprising an apportioned site area of 35.40 sq.m. and a gross floor area of 158.89 sq.m., have been vested in New Shanghai International Commercial City Development Co., Ltd. (新上海國際商城發展有限公司) for an unspecified land use term for residential use.
- (2) According to Business Licence No. 3101041015183 dated 16th August 2007, New Shanghai International Commercial City Development Co., Ltd. (新上海國際商城發展有限公司) was established for an operating period from 18th September 1992 to 17th May 2027. The current registered capital is RMB100,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101041015183, New Shanghai International Commercial City Development Co., Ltd. (新上海國際商城發展有限公司) was established for an operating period from 18th September 1992 to 17th May 2027 and is 60% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB100,000,000;
  - (ii) According to Shanghai Certificate of Real Estate Ownership No.(2000)001017, New Shanghai International Commercial City Development Co., Ltd. (新上海國際商城發展有限公司) has obtained the land use rights and building ownership of the property, comprising an apportioned site area of 35.40 sq.m. and a gross floor area of 158.89 sq.m.;
  - (iii) New Shanghai International Commercial City Development Co., Ltd. (新上海國際商城發展有限公司) is entitled to use, transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iv) The property is not subject to any mortgage.
- (4) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes



	Property	Description and tenure	Particulars of Occupancy	Capital value in existing state as at 30th September 2007
67	16 residential units situated at Lane 1375 Pingyang Road, Minhang District, Shanghai, the PRC	<p>The property comprises 16 residential units of a residential development which was completed in or about 2000.</p> <p>The property has a total gross floor area of 1,275.32 sq.m. (13,727 sq.ft.).</p>	The property is vacant.	No Commercial Value (Please see Note (1))

*Notes:—*

- (1) As at the date of valuation, Shanghai Certificate of Real Estate Ownership of the property has not been obtained yet. However, on the assumption that the legal title of the property has been obtained and the property can be freely transferred, the capital value of the property in existing state as at 30th September 2007 was RMB11,150,000 (90% interest attributable to the Urban Development Group: RMB10,035,000).
- (2) According to Business Licence No. 3101121030958 dated 17th May 2006, Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) was established for an operating period from 17th May 1999 to 16th May 2014. The current registered capital is RMB300,000,000.
- (3) We have been provided with a legal opinion on the property prepared by the Company's legal advisors, which contains, inter alia, the following information:—
  - (i) According to Business Licence No. 3101121030958, Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) was established on 17th May 1999 for an operating period from 17th May 1999 to 16th May 2014 and is 90% owned by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司). The current registered capital is RMB300,000,000;
  - (ii) Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) is entitled to only use the property for demolition and resettlement. Due to no title documents obtained by the Urban Development Group, Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) is not entitled to transfer, lease and mortgage the land use rights and building ownership of the property; and
  - (iii) According to Agreement for the Supply of Affordable Commodity Housing (配套商品房供應協議), Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has paid all the amount of the property to Shanghai Chengtou Assets Operation Co., Ltd (上海城投資產經營有限公司) and transferred the property to Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司).
- (4) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the property was acquired in January 2006 at an acquisition cost of RMB4,156,075.
- (5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the Shanghai Certificate of Real Estate Ownership of the property is not able to be obtained.
- (6) The status of title and grant of major certificates, approvals and licences in accordance with the PRC legal opinion and information provided by the Urban Development Group are as follows:—
 

Shanghai Certificate of Real Estate Ownership	No
Agreement for the Supply of Affordable Commodity Housing	Yes
Business Licence	Yes

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### (i) Interests in shares and underlying shares of the Company

- *Ordinary shares of the Company*

Name of Director	Capacity	Nature of interests	Number of issued shares held	Percentage of total issued share capital
Cai Lai Xing	Beneficial Owner	Personal	4,000,000	0.37%
Cai Yu Tian	Beneficial Owner	Personal	280,000	0.03%
Lu Ming Fang	Beneficial Owner	Personal	1,822,000	0.17%
Ding Zhong De	Beneficial Owner	Personal	530,000	0.05%
Zhou Jie	Beneficial Owner	Personal	307,000	0.03%
Qian Shi Zheng	Beneficial Owner	Personal	479,000	0.04%
Yao Fang	Beneficial Owner	Personal	180,000	0.02%
Tang Jun	Beneficial Owner	Personal	30,000	0.003%

All interests stated above represented long positions.

● *Share options of the Company*

Name of Director	Capacity	Date of grant	Exercise price per share HK\$	Number of share options held	Percentage of total issued share capital
Cai Lai Xing	Beneficial Owner	2nd September 2005	14.89	800,000	0.07%
Cai Yu Tian	Beneficial Owner	2nd May 2006	17.10	940,000	0.09%
Lu Ming Fang	Beneficial Owner	2nd September 2005	14.89	480,000	0.04%
Ding Zhong De	Beneficial Owner	2nd May 2006	17.10	700,000	0.07%
Zhou Jie	Beneficial Owner	2nd September 2005	14.89	220,000	0.02%
Qian Shi Zheng	Beneficial Owner	2nd September 2005	14.89	200,000	0.02%
Tang Jun	Beneficial Owner	2nd September 2005	14.89	220,000	0.02%

Share options granted on 2nd September 2005 under the Company's share option scheme are exercisable during the period from 2nd March 2006 to 1st March 2009 in three batches.

Share options granted on 2nd May 2006 under the Company's share option scheme are exercisable during the period from 2nd November 2006 to 1st November 2009 in three batches.

(ii) **Interests in shares of Shanghai Industrial Pharmaceutical Investment Co. Ltd.**

Name of Director	Capacity	Nature of interests	Number of issued shares held	Percentage of total issued share capital
Lu Ming Fang	Beneficial Owner	Personal	23,400	0.01%
Ding Zhong De	Beneficial Owner	Personal	23,400	0.01%

All interests stated above represented long positions.

- (b) As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of the persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Total interests in shares and underlying shares	Percentage of total issued share capital
● <i>Long Positions</i>			
SIIC	Interests held by controlled corporations	546,820,710 (note (i))	51.04%
Morgan Stanley	Interest held by controlled corporations	58,949,572	5.50%
JPMorgan Chase & Co.	Beneficial Owner	1,019,000	0.10%
	Investment Manager	2,191,530	0.20%
	Custodian Corporation/ Approved Lending Agent	60,851,644	5.68%
UBS AG	Beneficial Owner	14,366,647	1.34%
	Person having a security interest in shares	13,412,208	1.25%
	Interest held by controlled corporations	26,837,519	2.51%
● <i>Short Positions</i>			
SIIC	Interests held by controlled corporations	86,218,331 (note (ii))	8.05%
Morgan Stanley	Interest held by controlled corporations	13,619,678	1.27%
JPMorgan Chase & Co.	Beneficial Owner	400,000	0.04%
UBS AG	Interest held by controlled corporations	10,304,518	0.96%

*Notes:*

- (i) SIIC through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd., SIIC CM Development Ltd., SIIC Trading Co. Ltd. and SIIC Treasury (B.V.I.) Ltd. held 466,644,371, 80,000,000, 10,000, 150,000 and 16,339 shares and underlying shares of the Company respectively, and was accordingly deemed to be interested in the respective shares and underlying shares of the Company held by the aforementioned companies.

- (ii) SIIC was taken to have short positions in respect of 86,218,331 underlying shares of the Company under certain listed equity derivatives pursuant to the Zero Coupon Guaranteed Exchangeable Bonds issued by Shanghai Industrial Investment Treasury Co. Ltd. due March 2009 unconditionally and irrevocably guaranteed by SIIC and exchangeable into ordinary shares of the Company.
- (c) As at the Latest Practicable Date, so far as was known to the Directors, the following Directors are also directors or employees of SIIC:

Name of Director	Position held in SIIC
Mr. Cai Lai Xing	Chairman
Mr. Cai Yu Tian	Executive Director and President
Mr. Lu Ming Fang	Executive Director
Mr. Ding Zhong De	Executive Director
Mr. Zhou Jie	Executive Vice President
Mr. Qian Shi Zheng	Vice President and General Manager of Finance and Planning Department
Mr. Yao Fang	Vice President
Mr. Tang Jun	General Manager of Internal Audit Department and Deputy General Manager of Finance and Planning Department

- (d) As at the Latest Practicable Date, so far as was known to the Directors, the following persons and companies (other than members of the Group) were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group (other than the Company) in the following manner:—

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of registered shareholding
Changzhou Pharmaceutical Co. Ltd.* (常州藥業股份有限公司)	Changzhou State-owned Assets Investment Co.* (常州國有資產投資經營總公司)	equity interest	23.05%
Chia Tai Qingchunbao Pharmaceutical Co. Ltd.* (正大青春寶藥業有限公司)	China (Hangzhou) Qingchunbao Group Co. Ltd.* (中國(杭州)青春寶集團有限公司)	equity interest	20%
	Hangzhou Chia Tai Qingchunbao Staff Shareholding Association* (杭州市正大青春寶職工持股協會)	equity interest	20%
Chifeng Arker Pharmaceutical Technology Co. Ltd.* (赤峰艾克製藥科技股份有限公司)	Shenzhen Yigong Industrial Co. Ltd.* (深圳益公實業有限公司)	equity interest	14.67%
Chifeng Mysun Pharma Co. Ltd.* (赤峰蒙欣藥業有限公司)	Chifeng Pharmaceutical (Group) Co. Ltd.* (赤峰製藥(集團)有限責任公司)	equity interest	17.91%
Guangdong Techpool Biochem Pharma Co. Ltd.* (廣東天普生化醫藥股份有限公司)	Guangzhou Bopu Biotechnology Co. Ltd.* (廣州市博普生物技術有限公司)	equity interest	23.06%
	Fu He Liang (傅和亮)	equity interest	11.98%
Techpool International Pharma Co. Ltd.* (廣州天普海外藥業有限公司)	Guangzhou Bopu Biotechnology Co. Ltd.* (廣州市博普生物技術有限公司)	equity interest	27.62%

Name of member of the Group	Name of substantial shareholders	Class of share capital	Percentage of registered shareholding
Hangzhou Huqingyutang Pharmaceutical Co. Ltd.* (杭州胡慶餘堂藥業有限公司)	Hangzhou Huqingyutang Group Co. Ltd.* (杭州胡慶餘堂集團有限公司)	equity interest	44.9566%
Liaoning Herbapex Pharmaceutical (Group) Co. Ltd.* (遼寧好護士藥業(集團)有限責任公司)	Medieval International Limited	equity interest	15%
	Zheng Ji Yu (鄭繼宇)	equity interest	16.47%
Mergen Biotech Limited	Excellent Hope Holdings Inc.	ordinary share	10.99%
	Sino Alliance International, Ltd.	ordinary share	18.6%
Shanghai Qiyi Dental Equipment Co. Ltd.* (上海奇異牙科器材有限公司)	Shanghai Dental Materials Factory Qi Xin Operating Services Department* (上海齒科材料廠奇新綜合經營服務部)	equity interest	10%
Shanghai Victor Medical Instrument Co. Ltd. (上海勝利醫療器械有限公司)	ACCS Products Inc. USA	equity interest	25%
Shanghai Yichuang Traditional Chinese Medicine Research & Development Center Co. Ltd. (上海醫創中醫藥科研開發中心有限公司)	Shanghai University of Traditional Chinese Medicine Technological Development Co.* (上海中醫大科技發展公司)	equity interest	45%
Shanghai Yunhu Raw-pharmaceutical Co. Ltd. (上海雲湖醫藥藥材股份有限公司)	Shanghai Yunhu Raw Pharmaceutical Co. Ltd. Staff Shareholding Association (上海雲湖醫藥藥材股份有限公司職工持股會)	equity interest	15.45%
Shanghai Yunhu Yuemin Pharmacy Co. Ltd.* (上海雲湖悅民大藥房有限公司)	Shanghai Yuanfeng Pharmacy* (上海源豐藥房)	equity interest	30%
SI United Changcheng Pharmaceutical Co. Ltd.* (上海實業聯合集團長城藥業有限公司)	Jin Jiang International Holdings Co. Ltd. (錦江國際(集團)有限公司)	equity interest	30%
SI United Pharmaceutical Co. Ltd.* (上海實業聯合集團製藥有限公司)	Zhou Yi Ping (周一平)	equity interest	22%
	Hu Zheng (許政)	equity interest	17%
	Feng Wei (馮衛)	equity interest	10%
Xiamen Traditional Chinese Medicine Co. Ltd.* (廈門中藥廠有限公司)	Xiamen Qinggong Group Co. Ltd.* (廈門輕工集團有限公司)	equity interest	30%
Chengdu Wingfat Printing Co. Ltd.* (成都永發印務有限公司)	Sichuan Swellfun Co. Ltd. (四川水井坊股份有限公司)	equity interest	20%
	Chengdu Jiangshi Investment Co. Ltd.* (成都江氏投資有限公司)	equity interest	19%
	Sichuan Huize Investment Co. Ltd.* (四川惠澤投資有限公司)	equity interest	10%
Hebei Yongxin Paper Co. Ltd.* (河北永新紙業有限公司)	Xinnan (Tianjin) Paper Co. Ltd.* (新南(天津)紙業有限公司)	equity interest	29%
Xuchang Yongchang Printing Co. Ltd. (許昌永昌印務有限公司)	Xuchang Cigarette Factory* (許昌捲煙總廠)	equity interest	20.6%
	Shangtou Bonded Area Jinguang Industrial Co., Ltd.* (汕頭保稅區金光實業有限公司)	equity interest	28.4%

- (e) Save as disclosed above, as at the Latest Practicable Date:
- (i) so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and
  - (ii) there was no person known to the Directors who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **4. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far so was known to the Directors, none of the Directors and their respective associates was considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group pursuant to the Listing Rules.

### **5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

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

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

## 6. 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 within two years preceding the date of this circular and which are or may be material:

- (a) the share reform plan of Shanghai Industrial Pharmaceutical Investment Co. Ltd. dated 6th April 2006 proposed by Shanghai Industrial YKB Ltd.;
- (b) the share reform plan of Bright Dairy & Food Co. Ltd. dated 12th April 2006 proposed by among S.I. Food Products Holdings Ltd., Shanghai Dairy (Group) Co. Ltd., Danone Asia Pte. Ltd. and East Hope Group Co. Ltd.;
- (c) the agreement dated 12th April 2006 entered into between S.I. Food Products Holdings Ltd. as the seller and Danone Asia Pte. Ltd. as the purchaser in relation to the transfer of 44,099,410 non-tradable shares of Bright Dairy & Food Co. Ltd.;
- (d) the share transfer agreement dated 19th April 2006 entered into between S.I. Infrastructure Holdings Ltd. as the seller and COSCO Ports (Pudong) Ltd. as the purchaser in relation to the disposal of 10% interest in Shanghai Pudong International Container Terminals Ltd.;
- (e) the supplement agreement to the operating licence agreement dated 13th June 2006 entered into between Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and Shanghai Municipal Engineering Bureau;
- (f) the agreement dated 13th June 2006 entered into between Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and Shanghai Public Road Construction Company in relation to the toll collection of the Shanghai-Nanjing Expressway (Shanghai Section);
- (g) the agreement dated 13th June 2006 entered into between Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and Shanghai Public Road Construction Company in relation to the construction work for widening and alteration of the Shanghai-Nanjing Expressway (Shanghai Section);
- (h) the conditional agreement dated 21st August 2006 entered into between Shanghai Industrial United (Group) Commercial Network Development Co. Ltd. as the seller and Lianhua Supermarket Holdings Co. Ltd. as the purchaser in relation to the disposal of a 22.21% equity interest in Shanghai Century Lianhua Supermarket Development Co. Ltd.;
- (i) the conditional agreement dated 21st August 2006 entered into between Shanghai Industrial Pharmaceutical Investment Co. Ltd. as the seller and Lianhua Supermarket Holdings Co. Ltd. as the purchaser in relation to the disposal of a 18.18% equity interest in Shanghai Lianhua e-Commerce Co. Ltd.;



- (j) the facility agreement dated 16th November 2006 entered into among the Company, SIHL Finance Limited and a syndicate of banks and financial institutions for 5-year term and revolving loan facilities of up to HK\$3,000 million;
- (k) the agreement dated 15th May 2007 entered into among the Company, SIIC MedTech Health Products Ltd. and Shanghai Industrial Pharmaceutical Investment Co. Ltd. supplemented by the supplemental agreement dated 21st August 2007 in relation to the subscription by SIIC MedTech Health Products Ltd. for 46,770,000 A Shares in Shanghai Industrial Pharmaceutical Investment Co. Ltd. and the transfers of 55% equity interest in Chia Tai Qingchunbao Pharmaceutical Co. Ltd., 51.0069% equity interest in Hangzhou Huqingyutang Pharmaceutical Co. Ltd., 61% equity interest in Xiamen Traditional Chinese Medicine Co. Ltd., 55% equity interest in Liaoning Herbapex Pharmaceutical Group Co. Ltd. and 29% equity interest (after a further capital injection) in Hangzhou Huqingyutang Drugstore Co. Ltd. by relevant subsidiaries of the Group to Shanghai Industrial Pharmaceutical Investment Co. Ltd. and/or its subsidiaries;
- (l) the agreement dated 12th June 2007 between the Company, SAIC HK Limited and S.I. Automobile Development Holdings Ltd. for the transfer of the entire issued share capital in and shareholder's loan due from S.I. Automobile Development Holdings Ltd.;
- (m) the agreement dated 12th June 2007 between S.I. Automobile Development Ltd. and Shanghai Automotive Co. Ltd. for the transfer of a 50% equity interest in Shanghai Huizhong Automotive Manufacturing Co. Ltd.;
- (n) the agreement dated 12th June 2007 between S.I. Automobile Development Ltd. and Shanghai Automotive Co. Ltd. for the transfer of a 50% equity interest in Shanghai Wanzhong Automotive Components Co. Ltd.;
- (o) the agreement dated 27th June 2007 entered into between the Company and Xuhui SAAC in relation to the increase in capital of Shanghai Urban Development;
- (p) the joint venture contract dated 27th June 2007 entered into between the Company and Xuhui SAAC in relation to the joint operation of a Sino-foreign joint venture company to be transformed from Shanghai Urban Development;
- (q) the joint venture articles dated 27th June 2007 entered into between the Company and Xuhui SAAC in relation to the joint operation of a Sino-foreign joint venture company to be transformed from Shanghai Urban Development;
- (r) a sale and purchase agreement dated 15th October 2007 in respect of 10.005% interests in Bright Dairy & Food Co., Ltd. entered into between S.I. Food Products Holdings Ltd. and Danone Asia Pte. Ltd.; and
- (s) the Equity Transfer Contract.

**7. MATERIAL CHANGES**

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31st December 2006, the date to which the latest published audited consolidated accounts of the Group have been made up.

**8. LITIGATION**

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

**9. EXPERTS**

- (a) The following are the qualifications of the experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu	Certified Public Accountants
DTZ Debenham Tie Leung Limited	International Property Valuers
Allbright Law Offices	PRC legal adviser

- (b) As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Allbright Law Offices had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) Each of Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Allbright Law Offices has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter and/or references to its name in the form and context in which it is included.
- (d) As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Allbright Law Offices was not interested, directly or indirectly, in any assets which had since 31st December 2006 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.
- (e) the accountants' report on Urban Development Group dated 19th December 2007 is set out in Appendix II hereto.

- (f) The accountants' letter on unaudited pro forma statement of assets and liabilities of the Enlarged Group after completion dated 19th December 2007 is set out in Appendix III hereto.
- (g) The valuation report from DTZ Debenham Tie Leung dated 19th December 2007 is set out in Appendix IV hereto.

#### **10. MISCELLANEOUS**

- (a) The registered office of the Company is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrar and transfer office of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Wong Mei Ling, Marina who is a Fellow of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The qualified accountant of the Company is Mr. Lee Kim Fung, Edward who is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including 2nd January 2008:

- (a) the memorandum and articles of association of the Company;
- (b) the contracts referred to in the section headed "Material Contracts" in this Appendix V;
- (c) the audited financial statements of the Company for each of the two years ended 31st December 2005 and 31st December 2006;
- (d) the accountants' report on Urban Development Group, the text of which is set out in Appendix II to this circular;
- (e) the unaudited pro forma financial information on the Enlarged Group and the corresponding letter from the accountants, the text of which is set out in Appendix III to this circular;

- (f) the letter, summary of valuations and valuation certificates from DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix IV to this circular;
- (g) the written consents referred to in the paragraph headed “Experts” of this Appendix V; and
- (h) the following circulars issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules which have been issued since 31st December 2006, the date to which the latest published audited accounts of the Company were made up:
  - (i) the circular dated 27th June 2007 in relation to the issue of new A shares by Shanghai Industrial Pharmaceutical Investment Co. Ltd. and the transfer of assets to Shanghai Industrial Pharmaceutical Investment Co. Ltd.;
  - (ii) the circular dated 4th July 2007 in relation to the disposal of shareholding in and shareholder’s loan due from S.I. Automobile Development Holdings Limited and equity interest in Shanghai Huizhong Automotive Manufacturing Co. Ltd. and Shanghai Wanzhong Automotive Components Co. Ltd.;
  - (iii) the circular dated 19th July 2007 in relation to the proposed investment in a PRC joint venture company;
  - (iv) the circular dated 5th November 2007 in relation to the acquisition of an additional shareholding interest in Bright Dairy & Food Co. Ltd.; and
  - (v) the circular dated 9th November 2007 in relation to the possible discloseable transaction and material dilution of interest in a major subsidiary in relation to the proposed spin-off and separate listing of The Wing Fat Printing Co. Ltd. on the Main Board of the Stock Exchange, certain continuing connected transactions and the adoption of share option scheme of The Wing Fat Printing Co. Ltd..