THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

華潤置地有限公司

China Resources Land Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1109)

MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF SHARES – PROPOSED ACQUISITION OF CERTAIN COMPANIES OF CHINA RESOURCES (HOLDINGS) COMPANY LIMITED AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Financial adviser to China Resources Land Limited

SOMERLEY LIMITED

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

taifook

TAIFOOK CAPITAL LIMITED

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 24 to 25 of this circular. A letter from Taifook Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 49 of this circular.

A notice convening an extraordinary general meeting of China Resources Land Limited to be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on July 14, 2008 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at Tricor Standard Limited, the Hong Kong branch share registrar of China Resources Land Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

June 27, 2008

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Company pursuant to the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated June 6, 2008 in relation to, among other things, the Acquisition
"associate"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open for business (excluding a Saturday and a Sunday)
"BVI"	the British Virgin Islands
"Capital Increase"	the proposed increase in authorized share capital of the Company from HK$500,000,000 to HK$700,000,000
"Company"	China Resources Land Limited (華潤置地有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
"Completion"	completion of transactions contemplated under the Sale and Purchase Agreement
"Completion Date"	the day on which Completion takes place in accordance with the terms of the Sale and Purchase Agreement
"Conditions"	the condition set out in the paragraph headed "Conditions precedent" of this circular
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Consideration"	the consideration of HK$9,212.17 million payable by the Company for the Sale Shares under the Sale and Purchase Agreement
"Consideration Adjustment Cap"	the maximum consideration adjustment of HK$50 million pursuant to the Sale and Purchase Agreement

"Consideration Shares"	the 675,799,850 new Shares to be allotted and issued to the Vendor (or as it may direct) on Completion having a total cash value of approximately HK$9,204.4 million (based on the closing Share price of HK$13.62 as at the date of the Announcement)
"controlling shareholder"	has the meaning ascribed thereto in the Listing Rules
"CRH"	華潤(集團)有限公司 (China Resources (Holdings) Company Limited), a company incorporated in Hong Kong with limited liability
"CRH Group"	CRH and its subsidiaries excluding the Group
"Deed of Indemnity"	the deed of indemnity to be entered into between the Vendor, the Company and CRH on Completion in relation to the tax liabilities of the Target Group prior to Completion and other liabilities as specified therein
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) and the Capital Increase
"Encumbrances"	rights of pre-emption, options, liens, claims, equities, charges, mortgages, pledges, third-party rights or interests of any nature
"Enlarged Group"	the Group and the Target Group
"Group"	the Company and its subsidiaries
"HIBOR"	the Hong Kong Interbank Offer Rate as at 11:00 a.m. (Hong Kong time) on any given quotation day for the offering of deposits in HK$ and for 1-month period
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares)
"Independent Financial Adviser" or "Taifook"	Taifook Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares)
"Independent Shareholders"	Shareholders (other than CRH and the Vendor and their respective associates) who are not required to abstain from voting at the EGM
"Issue Price"	HK$13.34, being the average closing price of the Shares in the ten Purchaser Trading Days immediately preceding the date of the Sale and Purchase Agreement as quoted on the Stock Exchange's daily quotation sheets for the said period
"Land Acquisition Costs"	means any money payable in connection with the acquisition of the ownership in and title to the properties owned by the Target Group, including but not limited to land premium, levies, imposts, other costs and expenses payable to government authority and/or third party such as relocation/settlement compensation payable to residents (individual or body corporates) of such properties
"Latest Practicable Date"	June 24, 2008, 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
"Logic Furniture Group"	Green Grace Investments Limited, a limited liability company incorporated in the BVI and its wholly owned subsidiaries from time to time, including Logic Furniture (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability

"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
"Project Sites"	the Beijing Mentougou Site (北京門頭溝地產項目), the Beijing Daxing Site (北京大興地產項目), the Wuhan Site (漢鋼地產項目), the Chongqing Site (重慶地產項目), the Shenyang Dingxianghu Site (瀋陽丁香湖項目) and the Dalian Xinghaiwan Site (大連星海灣項目)
"Purchaser Trading Day"	the day on which the Shares are traded on the Stock Exchange
"RMB"	Renminbi, the lawful currency of the PRC from time to time
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated June 6, 2008 entered into amongst the Company, the Vendor and CRH in respect of the sale and purchase of the Sale Shares
"Sale Shares"	5 ordinary shares of US$1 each, representing the entire issued share capital of Smooth Day, which are registered in the name of and beneficially owned by the Vendor
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Smooth Day"	Smooth Day Group Limited (朝順集團有限公司), a company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date
"sq.m."	square metres
"Target Group"	Smooth Day and its subsidiaries

"US$"	United States dollars, the lawful currency of the United States of America from time to time
"Valuer"	CB Richard Ellis, the independent property valuer
"Vendor"	Gain Ahead Group Limited, a company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of CRH

If there is any inconsistency between the Chinese name of the entities established in the PRC mentioned in this circular and their English translation, the Chinese version shall prevail.

For the purposes of this circular, unless otherwise specified, conversions of RMB into HK$ are based on the approximate exchange rates of RMB1.0000 to HK$1.1132, for the purposes of illustration only. No representation is made that any amount in HK$ or RMB could have been or could be converted at the above rates or at any other rates.

華潤置地有限公司
China Resources Land Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1109)

Executive Directors:
Mr. Song Lin *(Chairman)*
Mr. Wang Yin *(Managing Director)*

Non-executive Directors:
Mr. Jiang Wei
Mr. Yan Biao
Mr. Liu Yan Jie
Mr. Li Fuzuo
Mr. Du Wenmin

Independent Non-executive Directors:
Mr. Wang Shi
Mr. Ho Hin Ngai, Bosco
Mr. Chan Mo Po, Paul
Mr. Andrew Y. Yan

Registered office:
Ugland House
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Post Office Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office:
Room 4301
43rd Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

June 27, 2008

To the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF SHARES – PROPOSED ACQUISITION OF CERTAIN COMPANIES OF CHINA RESOURCES (HOLDINGS) COMPANY LIMITED AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board announced on June 6, 2008 that the Company, the Vendor and CRH entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares representing the entire issued share capital of Smooth Day for the Consideration of HK$9,212.17 million.

As at the Latest Practicable Date, the Vendor was a wholly-owned subsidiary of CRH which was the controlling shareholder of the Company. As such, the Vendor and CRH are both connected persons of the Company within the meaning of the Listing Rules and therefore, the entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Further, the Company had on December 3, 2007 entered into an agreement with the Vendor and CRH for acquiring the entire issued share capital of Speedy Gain Investments Limited (迅機投資有限公司), such transaction is required to be aggregated with the Acquisition and treated as if they were one transaction in accordance with Rule 14.22 under the Listing Rules. Based on the relevant percentage ratio calculations under the Listing Rules, the entering into of the Sale and Purchase Agreement also constitutes a major transaction of the Company.

As at the Latest Practicable Date, the authorized share capital of the Company was HK$500,000,000, consisting of 5,000,000,000 Shares, of which 4,035,926,318 Shares had been issued. The Directors propose to increase the authorized share capital of the Company from HK$500,000,000 to HK$700,000,000 by the creation of an additional 2,000,000,000 new Shares.

This circular provides you with, among other things, (i) information on the Acquisition and the Capital Increase; (ii) the recommendation of the Independent Board Committee and advice of the Independent Financial Adviser; (iii) accountants' report on the Target Group; (iv) unaudited proforma consolidated balance sheet of the Enlarged Group; (v) property valuation report on the Target Group; and (vi) notice of the EGM.

(A) THE SALE AND PURCHASE AGREEMENT

Date: June 6, 2008

Parties:

(1) Vendor: Gain Ahead Group Limited, a wholly-owned subsidiary of CRH and is principally engaged in investment holding

(2) Purchaser: the Company

(3) Guarantor: CRH, which will guarantee the due and punctual performance and observance by the Vendor of its obligations under the Sale and Purchase Agreement and the Deed of Indemnity. CRH is principally engaged in investment holding

Sale Shares:

Being the entire issued share capital of Smooth Day as at the Latest Practicable Date of 5 ordinary shares of US$1.00 each registered in the name of and beneficially owned by the Vendor.

Consideration:

HK$9,212.17 million (to be satisfied as to HK$197.00 million by cash payable within 3 months from the Completion Date and while such amount shall remain outstanding after the Completion Date, interest shall accrue at the rate of 1% above 1-month HIBOR and the remaining HK$9,015.17 million by the allotment and issue of 675,799,850 Consideration Shares at the Issue Price of HK$13.34 each to be allotted and issued credited as fully paid up to the Vendor (or as it may direct) on Completion). The Acquisition will not result in a change of control of the Company. As at the Latest Practicable Date, the Consideration has not been satisfied.

The Consideration is subject to adjustments in the event that any additional Land Acquisition Costs shall have been paid by the relevant member of the Target Group or the Vendor (as evidenced by valid official receipts or such other supporting documents reasonably acceptable to the Company) on or after the date of the Sale and Purchase Agreement up to (and inclusive of) the Completion Date by increasing the Consideration by an amount equivalent to such additional Land Acquisition Costs paid and such additional amount shall be paid by the Company to the Vendor by way of cash. Such adjustment will not be extended to Land Acquisition Costs paid or to be paid by internal resources of the Target Group. Such adjustment shall, in any event, not exceed the Consideration Adjustment Cap of HK$50 million. As at the Latest Practicable Date, as confirmed by the Target Group, no additional Land Acquisition Costs was paid by the Target Group or by the Vendor since the date of the Sale and Purchase Agreement.

Conditions precedent:

Completion is subject to the following conditions:

(a) the Independent Shareholders having approved by way of poll at an extraordinary general meeting of the Company of the Sale and Purchase Agreement and the transactions contemplated thereunder including but not limited to the Acquisition by the Company of the Sale Shares, the allotment and issue of the Consideration Shares to the Vendor (or as it may direct) and, to the extent applicable, the transactions arising out of the Agreement and in pursuance of the Sale Shares; and

(b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares, either unconditionally or subject only to conditions which the Vendor and the Company have no reasonable objection.

None of the Conditions above shall be waived in any event. As at the Latest Practicable Date, none of the Conditions has been fulfilled.

If any of the Conditions has not been fulfilled by August 31, 2008 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing), the Sale and Purchase Agreement shall thereupon become null and void ab initio.

Deed of Indemnity

On Completion, the Company, the Vendor and CRH will enter into the Deed of Indemnity. Subject to certain limitations as stated in the Deed of Indemnity, the Vendor undertakes to the Company to indemnify and keep indemnified the Company from and against any tax liabilities in relation to the business activities of the Target Group prior to Completion and other liabilities as specified in the Deed of Indemnity. CRH undertakes to guarantee the due and punctual performance of the Vendor's obligation under the Deed of Indemnity.

Profit Guarantee

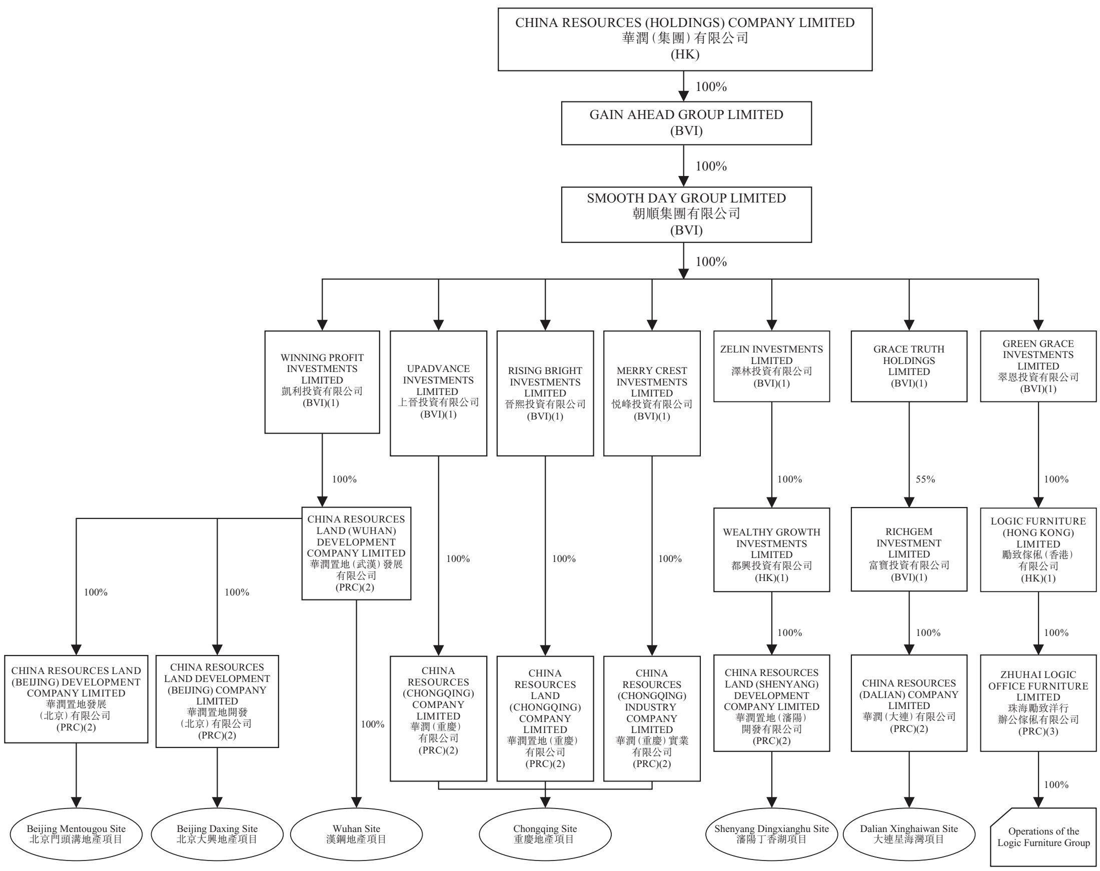
Pursuant to the Sale and Purchase Agreement, CRH has guaranteed to the Company that the net profit after taxation of the Logic Furniture Group for the year ending December 31, 2008 will not be less than HK$23.2 million. In the event that such net profit after taxation does not reach the guaranteed level, CRH will compensate the Company the shortfall between the guaranteed amount of HK$23.2 million and the actual net profit after taxation of the Logic Furniture Group for the year ending December 31, 2008 on a dollar-to-dollar basis. If Logic Furniture Group is loss making for the year ending December 31, 2008, CRH will compensate the Company the aggregate of the HK$23.2 million and the net loss after taxation of the Logic Furniture Group for that period on a dollar-to-dollar basis. In the event that the net profit after taxation of the Logic Furniture Group for the year ending December 31, 2008 is less than HK$23.2 million and entitling the Company to claim against CRH, further announcement will be made by the Company. Details of the compensation will be included in the subsequent annual report of the Company which will also contain opinions from the independent non-executive Directors as to whether CRH has fulfilled its obligation under the guarantee.

Completion

Completion will take place on or before the second Business Day after the Conditions have been fulfilled in accordance with the Sale and Purchase Agreement or such other date as the parties to the Sale and Purchase Agreement may agree.

(B) INFORMATION ON THE TARGET GROUP

Smooth Day is an investment holding company and its principal assets are its indirect interests in (i) the Project Sites which comprise of the Beijing Mentougou Site (北京門頭溝地產項目), the Beijing Daxing Site (北京大興地產項目), the Wuhan Site (漢鋼地產項目), the Chongqing Site (重慶地產項目), the Shenyang Dingxianghu Site (瀋陽丁香湖項目) and the Dalian Xinghaiwan Site (大連星海灣項目) located in the PRC; and (ii) the Logic Furniture Group which is engaged in the furniture manufacturing and sale business in the PRC. The following diagram illustrates the shareholding structure of the Target Group as at the Latest Practicable Date:



Notes:

1. Each of them is principally engaged in investment holding

2. Each of them is principally engaged in property development and investment holding

3. It is principally engaged in the business of furniture manufacturing and marketing

Set out below are the audited combined financial results of the Target Group for each of the two financial years ended December 31, 2007, prepared in accordance with the Hong Kong Financial Reporting Standards:

	December 31, 2006 *HK$'million*	December 31, 2007 *HK$'million*
Turnover	220.6	259.0
Profit before taxation	52.6*	5.8
Profit attributable to shareholder of Smooth Day	50.3*	9.3

* Such amount included a one-time transfer fee of RMB30.0 million (equivalent to approximately HK$33.4 million) received by the Target Group for its property interest.

As at December 31, 2007, the audited combined net book value (attributable to the equity holder) of the Target Group was approximately HK$239.1 million. Subsequent to December 31, 2007, shareholders' loans of approximately HK$7,735.4 million were capitalized on April 30, 2008. As at the Latest Practicable Date, the Target Group has no shareholders' loan due to the CRH Group (other than those within the Target Group).

Beijing Mentougou Site (北京門頭溝地產項目)

The Beijing Mentougou Site is located at Feng Village, Yongding Town, Mentougou District, Beijing, PRC having a site area of about 201,496 sq.m.. The proposed total gross floor area is approximately 348,048 sq.m. (including underground portion). The site is for a proposed residential development with ancillary commercial facility and car park. The whole project is expected to be developed in four phases. The proposed development is expected to be completed in 2013. Phase One of the development is expected to include about 700 residential units. The presale of Phase One is planned to be launched in 2009.

Mentougou District, where the property is situated, is located at the western extension of the Changan Avenue axis in east-west direction. Mentougou District is becoming an ecological and a tourist base, and is emerging as a strategic area for the development of western area of Beijing. With the relocation of Capital Steel Factory and rapid development of South of Mentougou, bright development is expected in the coming future for the district.

Smooth Day has 100% indirect interest in the Beijing Mentougou Site as at the Latest Practicable Date.

Beijing Daxing Site (北京大興地產項目)

The Beijing Daxing Site is located at Plot 17 of Huang Village Satellite City North Area, Daxing District, Beijing, PRC having a site area of about 123,690 sq.m. The proposed total gross floor area is approximately 267,115 sq.m. (including underground portion). The site is for a proposed residential development with ancillary commercial facility and car park. The whole project is expected to be developed in two phases. The proposed development is expected to be completed in 2012. Phase One of the development is expected to include about 1,200 residential units. The presale of Phase One is planned to be launched in 2009.

Daxing District, where the property is situated, is located at the southern extension of the north-south axis and is the only district stretching from both western to eastern side of Beijing. Daxing is designated as the key development area for residential, logistic, art and cultural and manufacturing sectors.

Smooth Day has 100% indirect interest in the Beijing Daxing Site as at the Latest Practicable Date.

Wuhan Site (漢鋼地產項目)

The Wuhan Site is located at north of Qintai Road, west of Meizi Road, Hanyang District, Wuhan City, Hubei Province, PRC having a site area of about 123,820 sq.m. The proposed total gross floor area is approximately 423,315 sq.m. (including underground portion). The site is for a proposed residential development (known as Central Park (中央公園) with ancillary commercial facility and car park. The whole project is expected to be developed in three phases and completed in 2012. Phase One of the development includes about 1,142 residential units. The presale of Phase One is planned to be launched in October 2008.

The property adjoins Yuehu Wet Park, which is the largest wet park in the city. It is also adjacent to the Qintai Art Centre (琴台藝術中心) which is regarded as the new landmark of Wuhan. Being located at a core location with natural environment, the site is expected to be developed as one of the high-quality developments in Wuhan.

Smooth Day has 100% indirect interest in the Wuhan Site as at the Latest Practicable Date.

Chongqing Site (重慶地產項目)

The Chongqing Site is located at Section P of Dayangshi, Jiulongpo District, Chongqing City, PRC having a site area of about 700,929 sq.m., in which 235,243 sq.m. is for the provision of road and greenery and 465,686 sq.m. is for the property development. The proposed total gross floor area is approximately 1,916,011 sq.m. (including underground portion). The site is for a proposed development which consists of residential, grade A office, shopping mall, serviced apartment and hotel. The whole project is expected to be developed in eight phases and completed by 2018. Phase One of the development is expected to include 362,470 sq.m. of gross floor area providing about 3,227 residential units in 11 blocks, commercial floor space and a total of 2,187 car parking spaces. The presale of Phase One is planned to be launched in the first half of 2009.

The property enjoys panoramic river view as it has more than 1,000 metre frontage on the Changjiang River to the eastern side of the site. Whilst 30 bus routes and light rail route No. 2 are running nearby, the proposed Chongqing south-north trunk road which will pass under the site and connect to the road network of Chongqing will further improve its accessibility upon completion. Being with convenient accessibility and a strategic location of Yangjiaping commercial area, the distance to Yangjiaping pedestrian street is just 200 metres. In addition, various education facilities and the Olympic Centre are situated in the proximity.

Smooth Day has 100% indirect interest in the Chongqing Site as at the Latest Practicable Date.

Shenyang Dingxianghu Site (瀋陽丁香湖項目)

The Shenyang Dingxianghu Site is located at Clove City, Yuhong District, Shenyang, Liaoning Province, PRC having a site area of about 446,176 sq.m. and a proposed total gross floor area of approximately 1,025,300 sq.m. (including underground portion). The site is for a proposed development (known as Oak Bay), which mainly consists of residential units together with club house in a creative concept of anchor clubhouse and pan-clubs, ancillary retail facilities and car parking area underground. The whole project is expected to be developed in four phases and completed in 2015. With an overall plot ratio of 2 times and an 8,000 sq.m.-interior waterscape, a nice and eco-friendly living environment is expected to be offered for the residents. The presale of Phase One is planned to be launched in September 2009.

Noble-style low density townhouse and villa scenario in foreign style have been planned for Phase One of Oak Bay, being supplemented a small amount of high-rise and mini middle-rise apartment. Phase One of the development includes 145,770 sq.m. of residential gross floor area and is expected to provide about 1,200 units, 798 car parking spaces, 2,300 sq.m. of club house and 10,800 sq.m. of retail gross floor area.

Oak Bay adjoins the large-scale eco-friendly greenland of Clove Lake, which is regarded as "The Mini West Lake in Shenyang", and with a 60 irrigation-channel green corridor lying at its west and a large stretch of lush and forest land staying at the south. In addition, having convenient accessibility and a strategic location of junction of Yuhong District, Huanggu District and Tiexi District, various living supporting facilities including retail, medical treatment, education and, food and beverage are surrounding the project.

Smooth Day has 100% indirect interest in the Shenyang Dingxianghu Site as at the Latest Practicable Date.

Dalian Xinghaiwan Site (大連星海灣項目)

The Dalian Xinghaiwan Site is located at the South of Xinghaiwan No. 4 Road, Dalian, Liaoning Province, PRC, having a site area of about 121,400 sq.m.. The proposed total gross floor area is approximately 312,164 sq.m. (including underground portion). The site is for a proposed development (known as Oriental Xanadu (星海灣壹號)) comprising residential, hotel and commercial portions. The whole project is expected to be developed in three phases and completed in 2012.

The property is located at a leisure and tourist area at the southwestern fringe of Dalian with about 5 kilometres from the commercial hub of the city. It adjoins Xinghai Square (星海廣場), which is the largest plaza in Dalian. With a long frontage to the sea, the development will enjoy panoramic sea view. The proposed Grand Hyatt Hotel will enhance the overall image of the development.

Smooth Day has 55% indirect interest in the Dalian Xinghaiwan Site with the remaining 45% interest owned by an independent third party as at the Latest Practicable Date.

Logic Furniture Group (勵致傢俬業務)

Logic Furniture Group is principally engaged in the furniture business which includes the manufacture and supply of office furniture in the PRC. Its clientele includes multinational corporations and leading PRC enterprises. It has over 20 regional distribution channels across the PRC including 10 branches in major cities of the PRC.

Smooth Day has 100% indirect interest in the Logic Furniture Group as at the Latest Practicable Date.

(C) MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Review of operations

Property development and investments

The property development and investments business of the Target Group did not record any revenue during each of the three years ended December 31, 2005, 2006 and 2007 as the Sites were still under development during the period. Segment results attributable to the property development and investments business of the Target Group for each of the three years ended December 31, 2005, 2006 and 2007 were losses of approximately HK$24,000, approximately HK$0.3 million and approximately HK$20.7 million, respectively. The losses for the three years ended December 31, 2007 were mainly attributed to the administrative expenses incurred but not qualified for capitalization under the relevant accounting standard.

Trading and manufacturing of furniture

The trading and manufacturing of furniture business of the Target Group recorded revenue of approximately HK$201.2 million, approximately HK$220.6 million and approximately HK$259.0 million for the three years ended December 31, 2005, 2006 and 2007, respectively. The growth of the revenue of the trading and manufacturing of furniture business of the Target Group during the years under review was mainly attributed to (i) the increase in demand for office furniture in the PRC as a result of the increase in the supply of new office buildings; and (ii) the development of a reputable brand name by the Logic Furniture Group as the leader in premier office furniture manufacturers and suppliers in the PRC. Segment results attributable to this business segment for each of the three years ended December 31, 2005, 2006 and 2007 were approximately HK$19.1 million, approximately HK$20.7 million and approximately HK$28.5 million, respectively, representing a growth of approximately 8.4% for the year ended December 31, 2006 and approximately 37.7% for the year ended December 31, 2007. The growth in the segment results was mainly contributed by the tight cost control measures adopted by the Logic Furniture Group and thus maintained a relatively stable profit margin across the years under review.

Material acquisitions and disposals

On September 27, 2006, Grace Truth Holdings Limited (a member of the Target Group), CRH and an independent third party of the Company entered into a sale and purchase agreement, pursuant to which, such party agreed to acquire Richgem Investment Limited (a wholly-owned subsidiary of Grace Truth Holdings Limited at that time) for a cash consideration of HK$181.0 million together with a fee of RMB30.0 million (equivalent to approximately HK$33.4 million) to Grace Truth Holdings Limited for its efforts in the assessment and evaluation of the Dalian Xinghaiwan Site.

Save for the above and the reorganisation exercise of the Target Group conducted during the first half of 2008 to facilitate the Acquisition, the Target Group did not have any material acquisitions and disposals of subsidiaries from January 1, 2005 up to and including the Latest Practicable Date.

Litigation

None of the members of the Target Group was engaged in any litigation or arbitration of material importance and no litigation or claims of material importance was known to the directors of Smooth Day to be pending or threatened against the Target Group as at each of December 31, 2005, 2006 and 2007.

Liquidity and financial resources

As at December 31, 2005, 2006 and 2007, the Target Group had consolidated borrowings (consist of amounts due to fellow subsidiaries, amounts due to intermediate holding companies and loan from a minority shareholder, all of which were denominated in RMB) of nil, approximately HK$1,080.6 million and approximately HK$3,608.6 million, respectively and cash and bank balances of approximately HK$90.9 million, approximately HK$157.2 million and approximately HK$206.2 million, respectively. The Group's gearing ratios (calculated based on consolidated borrowings less cash and bank balances, over equity attributable to equity holder of Smooth Day) were nil, approximately 6.3 times and approximately 14.2 times as at December 31, 2005, 2006 and 2007, respectively. All the borrowings are non-interest bearing.

Charges of assets

As at each of December 31, 2005, 2006 and 2007, none of the assets of the Target Group was pledged.

Contingent liabilities

The Target Group did not have any significant contingent liabilities as at each of December 31, 2005, 2006 and 2007.

Employees and remuneration policy

As of December 31, 2005, 2006 and 2007, the Target Group employed respectively approximately 904, 1,009 and 1,126 full time staff in the PRC and Hong Kong. The Target Group remunerates its employees based on their performance, work experience and the prevailing market wage level. In addition, performance bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance and medical coverage.

Foreign exchange exposure

As the majority of the transactions of the Target Group was denominated in RMB, the exposure of the Target Group to the risk of foreign exchange fluctuation was considered minimal.

(D) BASIS OF CONSIDERATION

The Consideration, comprising HK$9,015.17 million for the Project Sites and HK$197.00 million for the Logic Furniture Group, has been arrived at after arm's length negotiations between the Company and the Vendor.

The consideration of HK$9,015.17 million for the Project Sites was determined with reference to the Vendor's attributable interest in the unaudited adjusted combined net asset value of the Project Sites as at April 30, 2008 of approximately HK$10,018.7 million which is derived from the sum of (i) the Vendor's attributable interest in the audited combined net book value of the Target Group attributable to the Project Sites as at December 31, 2007 of approximately HK$123.5 million; (ii) the loss and increase in exchange reserve of the Target Group attributable to the Project Sites for four months ended April 30, 2008 per the unaudited combined management accounts of the Target Group of approximately HK$7.6 million and HK$135.7 million respectively; (iii) the capitalisation of the shareholders' loans to the Target Group by the CRH Group as at April 30, 2008 of approximately HK$7,735.4 million; and (iv) increase in value of the Project Sites of approximately HK$2,031.7 million, being the difference between the appraised value of the Project Sites and the net book value of the Project Sites as at April 30, 2008, net of deferred taxation. The consideration for the Project Sites represents a discount of approximately 10.0% to the adjusted net asset value of the Project Sites attributable to the Target Group as at April 30, 2008.

The consideration of HK$197.00 million for the Logic Furniture Group was determined with reference to the price earnings multiple of approximately 8.5 times of the audited consolidated net profit after taxation of, and based on the Vendor's attributable interest in, the Logic Furniture Group for the year ended December 31, 2007 of approximately HK$23.2 million. For reference only, the consideration represents a price to book multiple of approximately 1.7 times the audited consolidated net asset value of the Logic Furniture Group as at December 31, 2007 of approximately HK$115.7 million.

The Directors consider that the Consideration is fair and reasonable as far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares).

The appraised value of the Project Sites as at April 30, 2008 is based on information contained in the property valuation report set out in Appendix IV to this circular.

(E) CONSIDERATION SHARES

On Completion, the Consideration Shares, having a total cash value of approximately HK$9,204.4 million based on the closing Share price of HK$13.62 as at the date of the Announcement, will be allotted and issued to the Vendor (or as it may direct). The Consideration Shares will be issued at the Issue Price of HK$13.34 per Share which is determined by and equals to the average closing price of the Shares for the ten Purchaser Trading Days immediately preceding the date of the Sale and Purchase Agreement. Such issue price represents:

(a) a premium of approximately 19.1% over HK$11.20, being the closing price of the Share as at the Latest Practicable Date, as quoted on the Stock Exchange;

(b) a discount of approximately 2.1% to HK$13.62, being the closing price of the Shares as at the date of the Sale and Purchase Agreement and the date of the Announcement, as quoted on the Stock Exchange;

(c) a discount of approximately 6.6% to HK$14.28, being the average closing price of the Shares for the last 30 trading days up to and including the date of the Sale and Purchase Agreement and the date of the Announcement; and

(d) a premium of approximately 142.5% over HK$5.50, being the audited consolidated net book value (attributable to the Shareholders) per Share as at December 31, 2007.

Irrespective of the market price of the Shares on the date of Completion, no adjustment, upward or downward, will be made to the number of Consideration Shares to be allotted and issued to the Vendor (or as it may direct). The difference, if any, in value of Consideration Shares as calculated by the Share prices on the Completion Date and the date of the Sale and Purchase Agreement may be regarded as a deemed distribution by the Company to the Vendor (or as it may direct) from an accounting perspective, in the case where the Share price on the Completion Date is above the level on the date of the Sale and Purchase Agreement, or an addition to the reserves in the case where the Share price on the Completion Date is lower than the level on the date of the Sale and Purchase Agreement. On Completion, the Target Group will be consolidated into the Company's accounts with reference to the consideration amount, which is determined as the Share price on the date of the Sale and Purchase Agreement times the number of Consideration Shares, and recognised as the value of the Target Group in the consolidated accounts of the Company.

The Consideration Shares, when issued, will be credited as fully paid up, free from all encumbrances and rank pari passu in all respects with the Shares in issue at the time of allotment and issue of the Consideration Shares. Given that the Acquisition constitutes a connected transaction of the Company of which Independent Shareholders' approval is required, instead of utilizing the general mandate granted by the Shareholders on May 30, 2008 for the allotment and issue of Shares (which allows the Directors to allot and issue up to a total of 806,845,263 Shares and the Directors confirm that none of such mandate has been utilised up to the Latest Practicable Date), specific approval of the Independent Shareholders will be sought for the allotment and issue of the Consideration Shares. An application has been made to the Listing Committee of the Stock Exchange for the granting of listing of and permission to deal in the Consideration Shares.

The Consideration is subject to the adjustments as mentioned above in the section headed "The Sale and Purchase Agreement – Consideration".

The following table sets out the simplified shareholding structure of the Company as at the Latest Practicable Date and immediately upon Completion:

	As at the Latest Practicable Date		**Immediately upon Completion and based on the number of the Consideration Shares** *(Note 3)*		**Immediately upon Completion and based on the number of the Consideration Shares and assuming full exercise of all outstanding options on or before Completion** *(Note 4)*	
Shareholders	**No. of Shares**	**Shareholding percentage** %	**No. of Shares**	**Shareholding percentage** %	**No. of Shares**	**Shareholding percentage** %
CRH	2,497,601,390	61.89	3,173,401,240	67.35	3,173,401,240	66.79
The Directors *(Note 2)*	10,204,000	0.25	10,204,000	0.22	11,854,000	0.25
Public	1,528,120,928	37.86	1,528,120,928	32.43	1,566,118,428	32.96
Total	4,035,926,318	100%	4,711,726,168	100%	4,751,373,668	100%

Notes:

(1) The interest of CRH in the Company represents its indirect interest held through the Vendor (a wholly owned subsidiary of CRH) and Finetex International Limited and its direct interest in the Company.

(2) The Directors comprise of Song Lin, Wang Yin, Jiang Wei, Yan Biao, Liu Yau Jie, Li Fuzuo and Du Wenmin Such Directors who are also Shareholders will be entitled to vote at the EGM on the basis that neither any of them nor any of their respective associates is a party to the Sale and Purchase Agreement, or any other transactions subject to approval of the Independent Shareholders at the EGM.

(3) Assuming there is no acquisition and/or disposal of Shares from the Latest Practicable Date up to the Completion Date.

(4) As of the Latest Practicable Date, a total of 39,647,500 employee options are outstanding, 1,650,000 of which are held by the Directors. Other than the said options, there are no outstanding securities issued by the Company as of the Latest Practicable Date which are convertible into Shares.

(F) REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal business activity of the Group is property investment, development and management in the PRC.

The Directors believe that the Acquisition represents an excellent opportunity for the Group to increase its land bank in Beijing, Wuhan, Dalian, Shengyang and Chongqing while branching into Shenyang where the Directors believe have attractive business opportunities. The increase in land bank in such cities is also strategically important to the long term development of the Group as the Directors believe that the demand for high quality properties in these cities will keep on increasing as a result of improving economic environment. Subsequent to the Acquisition, the land bank of the Group (in terms of attributable gross floor area) will be increased by approximately 4,151,479 sq.m..

The business of furniture manufacturing and sale, as undertaken by the Logic Furniture Group, is related to and is complimentary to the Group's existing core business. The acquisition allows the Group to provide a one-stop solution to its clients, thereby adding greater value to the Group's clients and, at the same time, reinforcing the feature of differentiation in the business model of the Group and enhancing the Group's competitive strength.

The Directors are of the view that the Sale and Purchase Agreement (including the allotment and issue of the Consideration Shares) is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(G) FINANCIAL IMPACT OF THE ACQUISITION ON THE GROUP

Upon Completion, Smooth Day will become a wholly owned subsidiary of the Company and, accordingly, the financial results of Target Group will be consolidated into the financial statements of the Company.

As set out in the unaudited proforma consolidated balance sheet of the Enlarged Group (details of which are included in Appendix III of this circular), assuming that the Acquisition had taken place on December 31, 2007, the total assets of the Group will be increased, on a proforma basis, by approximately HK$14.7 million to approximately HK$62.2 million and the total liabilities of the Group will be increased, on a proforma basis, by approximately HK$3.7 million to HK$27.5 million.

The equity attributable to equity holders of the Company, on a per Share and proforma basis, will be increased from approximately HK$5.50 to approximately HK$6.82 upon Completion.

(H) FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Directors are optimistic about the PRC property market. As a result of the continuing increase in the population, growth in gross domestic product and on-going and accelerated process of the urbanization, the demand for properties, the residential properties in particular, in the PRC will keep on increasing.

The Enlarged Group will keep on acquiring quality land to improve its land bank so as to enhance its future earnings prospect. The impact of austerity measures adopted by the PRC government on the Enlarged Group is relatively small given that the land bank of the Enlarged Group is primarily located in the centre of various cities and its products are largely catering for end-user. In the long run, the Directors are of the view that the austerity measures will benefit high quality PRC property developers who have sound financial position, such as the Enlarged Group, as a result of the market consolidation due to such measures.

(I) LISTING RULES IMPLICATIONS OF THE ACQUISITION

The Vendor is a wholly-owned subsidiary of CRH which is the controlling Shareholder. As such, the Vendor and CRH are both connected persons of the Company within the meaning of the Listing Rules and therefore, the entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company which is, based on the relevant percentage ratio calculations, subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Further, the Company had on December 3, 2007 entered into an agreement with the Vendor and CRH for acquiring the entire issued share capital of Speedy Gain Investments Limited (迅機投資有限公司), such transaction is required to be aggregated with the Acquisition and treated as if they were one transaction in accordance with Rule 14.22 under the Listing Rules. Based on the relevant percentage ratio calculations under the Listing Rules, the entering into of the Sale and Purchase Agreement also constitutes a major transaction of the Company.

(J) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorized share capital of the Company was HK$500,000,000, consisting of 5,000,000,000 Shares, of which 4,035,926,318 Shares had been in issue. Immediately upon Completion, if there is no new Shares to be issued and no Shares have been repurchased by the Company, the Company will have 4,711,726,168 Shares outstanding. In order to accommodate the future expansion of and growth of the Group, the Directors propose to increase the authorized share capital of the Company from HK$500,000,000 divided into 5,000,000,000 Shares to HK$700,000,000 divided into 7,000,000,000 Shares by the creation of additional 2,000,000,000 new Shares. The Capital Increase is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. Other than the issue of the Consideration Shares, the Directors have no present intention of issuing any outstanding unissued Shares, including the portion proposed to be increased pursuant to the Capital Increase.

(K) EXTRAORDINARY GENERAL MEETING

You will find on pages EGM-1 to EGM-2 of this circular a notice of the EGM to be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on July 14, 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) and the Capital Increase. CRH, the Vendor and their respective associates, being connected persons of the Company and having interests in the Sale and Purchase Agreement different from the Independent Shareholders, will abstain from voting in respect of the resolution for approval of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares). Pursuant to Rule 14A.52 of the Listing Rules, the Company will procure the Chairman of the EGM to demand the resolution relating to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) be taken by poll at the EGM. On the basis that there is no Shareholder having interests in the Capital Increase which are different from other Shareholders, no Shareholder is required to abstain from voting in respect of the resolution for approval of the Capital Increase. You may refer to Appendix V to this circular for the procedure by which you may demand a poll pursuant to the articles of association of the Company.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to be present at the meeting, you are requested to complete this form of proxy in accordance with the instructions printed thereon and deposit the same at Tricor Standard Limited, the Hong Kong branch share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish.

(L) RECOMMENDATION AND FURTHER INFORMATION

On the basis of the information set out in this circular, the Directors (excluding members of the Independent Board Committee in the case of (i) below, whose opinion are set out in the Letter from the Independent Board Committee) consider that the passing of the ordinary resolutions for (i) the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares), and (ii) the Capital Increase, are in the interests of the Company and the Shareholders as a whole. The relevant Directors therefore recommend the Shareholders to vote in favour of these resolutions as set out in the notice of the EGM.

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser as set out in this circular. Taifook has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares). Your attention is also drawn to the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
CHINA RESOURCES LAND LIMITED
SONG Lin
Chairman

The following is the text of the letter of recommendation to the Independent Shareholders from the Independent Board Committee regarding the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) for the purpose of incorporation in this circular:

華潤置地有限公司
China Resources Land Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1109)

June 27, 2008

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION INVOLVING ISSUE OF SHARES – PROPOSED ACQUISITION OF CERTAIN COMPANIES OF CHINA RESOURCES (HOLDINGS) COMPANY LIMITED

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares), details of which are set out in the letter from the Board in the circular of the Company dated June 27, 2008 (the "Circular") to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of the Independent Financial Adviser in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) as set out in the Letter from Taifook Capital Limited in the Circular. Having taken into account the advice of the Independent Financial Adviser, we consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) are fair and reasonable as far as the Independent Shareholders are concerned and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares).

Yours faithfully,
Independent Board Committee
Wang Shi **Ho Hin Ngai, Bosco**
Chan Mo Po, Paul **Andrew Y. Yan**
Independent Non-executive Directors

The following is the letter of advice from Taifook Capital Limited to the Independent Board Committee and the Independent Shareholders regarding the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder for the purpose of incorporation into this circular.

TAIFOOK CAPITAL LIMITED

25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

27 June 2008

To the Independent Board Committee and the Independent Shareholders
China Resources Land Limited
Room 4301
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
INVOLVING ISSUE OF SHARES –
PROPOSED ACQUISITION OF CERTAIN COMPANIES OF
CHINA RESOURCES (HOLDINGS) COMPANY LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the terms of the Sale and Purchase Agreement, details of which are set out in the letter from the Board (the "Letter") contained in the circular of the Company dated 27 June 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same respective meanings as those defined in the Circular unless the context otherwise requires.

As referred to in the Letter, on 6 June 2008, the Company entered into a conditional sale and purchase agreement with the Vendor and CRH, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the entire issued share capital of Smooth Day at a consideration of HK$9,212.17 million. Smooth Day is an investment holding company and its principal assets are its indirect interests in (i) the Project Sites comprising the Beijing Mentougou Site (北京門頭溝地產項目), the Beijing Daxing Site (北京大興地產項目), the Wuhan Site (漢鋼地產項目), the Chongqing Site (重慶地產項目), the Shenyang Dingxianghu Site (瀋陽丁香湖項目) and the Dalian Xinghaiwan Site (大連星海灣項目) located in the PRC; and (ii) the Logic Furniture Group which is engaged in the furniture manufacturing and sale business in the PRC.

The Acquisition, upon aggregation with the acquisition of the entire issued share capital of Speedy Gain Investments Limited from the Vendor on 3 December 2007 (the details of which are set out in the Company's circular dated 5 December 2007) in accordance with Rule 14.22 of the Listing Rules, constitutes a major transaction for the Company under the Listing Rules. Since the Vendor is a wholly-owned subsidiary of CRH which is the controlling Shareholder, both the Vendor and CRH are connected persons of the Company. Therefore, the Acquisition also constitutes connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM, at which the votes will be taken by poll. Each of CRH and the Vendor and their respective associates will be required to abstain from voting in relation to the resolution to approve, among other things, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) at the EGM.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chan Mo Po, Paul, Mr. Wang Shi, Mr. Andrew Y. Yan and Mr. Ho Hin Ngai, Bosco, has been established to advise the Independent Shareholders whether or not to vote in favour of the Acquisition. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Sale and Purchase Agreement is in the interests of the Group and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the Sale and Purchase Agreement, the annual report of the Company for the year ended 31 December 2007, the accountants' report of the Target Group for each of the three years ended 31 December 2007 prepared by Deloitte Touche Tohmatsu, the Certified Public Accountants, the Circular and the valuation report of the Target Group prepared by the Valuer.

In addition to the information provided by the Group, we have also reviewed the statistics and other information published on the official websites of National Bureau of Statistics of China (中國人民共和國國家統計局), Beijing Bureau of Statistics (北京市統計局), Wuhan Bureau of Statistics (武漢市統計局), Chongqing Bureau of Statistics (重慶市統計局), Shenyang Bureau of Statistics (瀋陽市統計局) and Dalian Bureau of Statistics (大連市統計局).

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the Sale and Purchase Agreement, and consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group or that of the Target Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Sale and Purchase Agreement, we have considered the following principal factors and reasons:

1 The Acquisition

1.1 Background information

1.1.1 Information of the Group

The Group is principally engaged in property development, investment and management in the PRC. The Group also provides certain value added services, such as construction and decoration services in the PRC. Set out below is a summary of the financial highlights for the two years ended 31 December 2007 as extracted from the Company's latest published annual report (the "2007 Annual Report"):–

	For the year ended 31 December 2007				For the year ended 31 December 2006		
	Sale of developed properties	Property investments and management	Construction and decoration services	Total	Sale of developed properties	Property investments and management	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4,333,536	986,362	361,197	5,681,095	3,120,870	815,860	3,936,730
Segment Results	1,200,551	1,297,377	13,492	2,511,420	641,769	885,096	1,526,865
Net profit for the year attributable to equity holders of the Company				1,431,082			858,675
Gross profit margin				36.7%			32.4%
Net profit margin				25.2%			21.8%

As shown from the above, the Group has delivered satisfactory performance in both segments of property development and property investments and management in 2007, and together with the contribution from recently acquired business of provision for construction and decoration services in the fourth quarter of 2007. The Group had consolidated turnover of approximately HK$5,681 million for the year ended 31 December 2007, representing an increase of approximately 44.3% over consolidated turnover of approximately HK$3,937 million for the year ended 31 December 2006 and net profit attributable to the equity holders of the Company of approximately HK$1,431 million for the year ended 31 December 2007, representing an increase of approximately 66.6% over that of approximately HK$859 million for the year ended 31 December 2006. As set out in the 2007 Annual Report, driven by year-on-year increase in completion areas and rising selling prices, turnover from sale of developed properties increased by approximately 38.9% from approximately HK$3,121 million for the year ended 31 December 2006 to approximately HK$4,334 million for the year ended 31 December 2007. For property investments and management business, given the persistent high occupancy rate and further increase in rental rates, the turnover from this business segment increased by approximately 20.8% from approximately HK$816 million for the year ended 31 December 2006 to approximately HK$986 million for the year ended 31 December 2007. In addition to the increase in turnover, there was also enhancement in overall gross profit margin and net profit margin from approximately 32.4% and approximately 21.8% respectively for the year ended 31 December 2006 to approximately 36.7% and approximately 25.2% for the year ended 31 December 2007.

1.1.2 Information of the Target Group

The Acquisition involves the transfer by the Vendor to the Company of the entire issued share capital of Smooth Day, the principal assets of which are its indirect interests in (i) the Project Sites comprising the Beijing Mentougou Site (北京門頭溝地產項目), the Beijing Daxing Site (北京大興地產項目), the Wuhan Site (漢鋼地產項目), the Chongqing Site (重慶地產項目), the Shenyang Dingxianghu Site (瀋陽丁香湖項目) and the Dalian Xinghaiwan Site (大連星海灣項目) located in the PRC; and (ii) the Logic Furniture Group which is engaged in the furniture manufacturing and sale business in the PRC. Set out below are the relevant background information of the Project Sites and the Logic Furniture Group.

1.1.2.1 The Project Sites

Property	**Type**	**Total approximate site area**	**Proposed total approximate gross floor area ("GFA")**	**Valuation attributable to the Target Group as at 30 April 2008**	**Equity interest held by the Target Group**
		sq.m.	*sq.m.*	*RMB' million*	
Beijing Mentougou Site Feng Village, Yongding Town, Mentougou District, Beijing, the PRC	Residential and commercial	201,496	348,048	1,566	100%
Beijing Daxing Site Plot 17 of Huang Village Satellite City North Area, Daxing District, Beijing, the PRC	Residential and commercial	123,690	267,115	1,450	100%
Wuhan Site North of Qintai Road, west of Meizi Road, Hanyang District, Wuhan City, Hubei Province, the PRC	Residential and commercial	123,820	423,315	1,216	100%
Chongqing Site Section P of Dayangshi, Jiulongpo District, Chongqing City, the PRC	Residential and commercial	700,929	1,916,011	1,959	100%
Shenyang Dingxianghu Site Clove City, Yuhong District, Shenyang, Liaoning Province, the PRC	Residential and commercial	446,176	1,025,300	1,464	100%
Dalian Xinghaiwan Site South of Xinghaiwan No. 4 Road, Dalian, Liaoning Province, the PRC	Residential and commercial	121,400	312,164	852.5	55%
Total		1,717,511	4,291,953	8,507.5	

(i) The Beijing Mentougou Site

The Beijing Mentougou Site, being 100% held by the Target Group, is located at Feng Village, Yongding Town, Mentougou District, Beijing, the PRC having a site area of about 201,496 sq.m. The proposed total GFA is approximately 348,048 sq.m. (including underground portion) comprising a proposed residential development with ancillary commercial facilities and car park. The whole project is proposed to be developed in four phases and completed in 2013. Phase one of the proposed development is expected to have about 700 residential units with its presale to be launched in 2009.

As set out in the Letter, Mentougou District, where the proposed development is situated, is located at the western extension of the Changan Avenue axis in east-west direction. Mentougou District is becoming an ecological and a tourist base, and is emerging as a strategic area for the development of western area of Beijing. With the relocation of Capital Steel Factory and rapid development of South of Mentougou District, more development is expected in the coming future for the district.

(ii) The Beijing Daxing Site

The Beijing Daxing Site, being 100% held by the Target Group, is located at Plot 17 of Huang Village Satellite City North Area, Daxing District, Beijing, the PRC having a site area of about 123,690 sq.m.. The proposed total GFA is approximately 267,115 sq.m. (including underground portion) comprising a proposed residential development with ancillary commercial facilities and car park. The whole project is expected to be developed in two phases and completed in 2012. Phase one of the proposed development is expected to have about 1,200 residential units with its presale to be launched in 2009.

As set out in the Letter, Daxing District, where the proposed development is situated, is located at the southern extension of the north-south axis and is the only district stretching from both western to eastern side of Beijing. Daxing District, is designated as the key development area for residential, logistic, art and cultural and manufacturing sectors.

(iii) The Wuhan Site

The Wuhan Site, being 100% held by the Target Group, is located at north of Qintai Road, west of Meizi Road, Hanyang District, Wuhan City, Hubei Province, the PRC having a site area of about 123,820 sq.m.. The proposed total GFA is approximately 423,315 sq.m. (including underground portion) comprising a proposed residential development (known as Central Park (中央公園)) with ancillary commercial facilities and car park. The whole project is expected to be developed in three phases and completed in 2012. Phase one of the development includes about 1,142 residential units with its presale to be launched in October 2008.

As set out in the Letter, the proposed development adjoins Yuehu Wet Park which is the largest wet park in the city. It is also adjacent to the Qintai Art Centre (琴台藝術中心) which is regarded as the new landmark of

Wuhan City. Being located at a core location with natural environment, the site is expected to be developed as one of the high-quality developments in Wuhan City.

(iv) The Chongqing Site

The Chongqing Site, being 100% held by the Group, is located at Section P of Dayangshi, Jiulongpo District, Chongqing City, the PRC having a site area of about 700,929 sq.m., in which 235,243 sq.m. is for the provision of road and greenery and 465,686 sq.m. is for the property development. The proposed total GFA is approximately 1,916,011 sq.m. (including underground portion) comprising a proposed development of residential units, grade-A office, shopping mall, serviced apartment and hotel. The whole project is expected to be developed in eight phases and completed in 2018. Phase one of the proposed development is expected to have 362,470 sq.m. of GFA comprising about 3,227 residential units in 11 blocks, commercial floor space and a total of 2,187 car parking spaces with its presale to be launched in the first half of 2009.

As set out in the Letter, the proposed development will enjoy panoramic river view as it has more than 1,000-metre frontage on the Changjiang River to the eastern side of the site. Whilst 30 bus routes and light rail route No. 2 are running nearby, the proposed Chongqing south-north trunk road which passes under the site and connects to the road network of Chongqing City will further improve its accessibility upon completion of the proposed development. Being a strategic location of Yangjiaping commercial area with convenient accessibility, the distance to Yangjiaping pedestrian street is just 200 metres. In addition, various education facilities and the Olympic Centre are located in the proximity.

(v) Shenyang Dingxianghu Site

The Shenyang Dingxianghu Site, being 100% held by the Target Group, is located at Clove City, Yuhong District, Shenyang, Liaoning Province, the PRC having a site area of about 446,176 sq.m.. The proposed total GFA is approximately 1,025,300 sq.m. (including underground portion) comprising a proposed development (known as Oak Bay) of residential units together with club house in a creative concept of anchor clubhouse and pan-clubs, ancillary retail facilities and underground car parking area. The whole project is expected to be developed in four phases and completed in 2015. With an overall plot ratio of 2 and an interior waterscape of 8,000 sq.m. provided, a nice and eco-friendly living environment is expected to be offered for the residents.

Noble-style low density townhouse and villa scenario in foreign style have been planned for phase one of Oak Bay, being supplemented a small amount of high-rise and mini middle-rise apartments. Phase one of the proposed development, with its presale to be launched in September 2009, is expected to have GFA of 145,770 sq.m. of about 1,200 residential units and 798 car parking spaces, 2,300 sq.m. of club house and 10,800 sq.m. of retail area.

As set out in the Letter, Oak Bay adjoins the large-scale eco-friendly greenland of Clove Lake, which is regarded as “The Mini West Lake in Shenyang”, and with a 60 irrigation-channel green corridor lying at its west and a large stretch of lush and forest land staying at the south. In addition, being a strategic location of junction of Yuhong District, Huanggu District and Tiexi District with convenient accessibility, the project site is surrounded by various living supporting facilities including retail, medical treatment, education and grocery.

(vi) The Dalian Xinghaiwan Site

The Dalian Xinghaiwan Site, being held as to 55% by the Target Group and as to 45% by an independent third party, is located at the south of Xinghaiwan No. 4 Road, Dalian, Liaoning Province, the PRC having a site area of about 121,400 sq.m.. The proposed total GFA is approximately 312,164 sq.m. (including underground portion) comprising a proposed development (known as Oriental Xanadu (星海灣壹號)) of residential, hotel and commercial portions. The whole project is expected to be developed in three phases and completed in 2012.

As set out in the Letter, the property is located at a leisure and tourist area at the southwestern fringe of Dalian with about 5 kilometres from the commercial hub of the city. It adjoins Xinghai Square (星海廣場) which is the largest plaza in Dalian. With a long frontage to the sea, the proposed development will enjoy panoramic sea view and the proposed construction of a Grand Hyatt Hotel will enhance the overall image of the development.

1.1.2.2 The Logic Furniture Group

The Logic Furniture Group, being 100% held by Smooth Day, is engaged in furniture business which includes the manufacture and supply of office furniture in the PRC. As set out in the Letter, it has over 20 regional distribution channels across the PRC including 10 branch offices in major cities. Its clientele includes multinational corporations and leading PRC enterprises, some of which are subsidiaries of the companies listed on the Main Board of the Stock Exchange with market capitalization of over HK$30 billion.

Set out below is the financial information of the Logic Furniture Group for the two financial years ended 31 December 2006 and 2007.

	For the year ended 31 December 2007	For the year ended 31 December 2006
	HK$'million	*HK$'million*
Turnover	259.0*	220.6*
Gross profit	91.6*	80.8*
Gross profit margin	35.4%	36.6%
Net profit before taxation	30.5**	23.1**
Net profit after taxation	23.2**	20.0**
Net profit margin	9.0%	9.1%

* the figures are extracted from the accountants' report of the Target Group as set out in the Appendix II to the Circular

** the figures are extracted from the unaudited management accounts of the Logic Furniture Group provided by the Company

The Logic Furniture Group recorded consolidated turnover of approximately HK$259.0 million for the year ended 31 December 2007, representing an increase of approximately 17.4% over that of approximately HK$220.6 million for the same corresponding period in 2006, and consolidated net profit after taxation of approximately HK$23.2 million for the year ended 31 December 2007, representing an increase of approximately 16.0% over that of approximately HK$20.0 million for the same corresponding period in 2006. The gross profit margin of the Logic Furniture Group dropped slightly from approximately 36.6% in 2006 to approximately 35.4% in 2007 while the net profit margin remained stable at approximately 9% in both years. As advised by the Directors, the increase in consolidated turnover of 2007 over that of 2006 was mainly because of the increase in demand of office furniture in the PRC as a result of the increase in the supply of new office buildings during the year. Notwithstanding a slight drop in the gross profit margin of 2007 over 2006, the Logic Furniture Group has maintained a relatively stable profit margin in both years as a result of its implementation of tight cost control measures.

1.2 Prospects of the PRC property market

According to the China Statistical Yearbook 2007 issued by and the statistical data released on 28 February 2008 by the National Bureau of Statistics of China, the PRC's gross domestic products ("GDP") increased from approximately RMB7,897.3 billion in 1997 to approximately RMB24,661.9 billion in 2007, representing a compound annual growth rate ("CAGR") of approximately 12.1%, which signified the sustained rapid growth of the PRC economy. Furthermore, set out below are the relevant key statistics in relation to the general economic conditions and residential property market of the cities at which the Project Sites located as extracted from the information published by the Bureau of Statistics of respective cities.

	Beijing	**Wuhan**	**Chongqing**	**Shenyang**	**Dalian**
General economic conditions					
GDP *(RMB' billion)*					
2007	900.6	314.2	411.2	307.4	313.1
1997	207.6	91.2	136.0	82.6	100.3*
CAGR	15.8%	13.2%	11.7%	14.0%	15.3%
Annual disposable income of urban resident per capita *(RMB)*					
2007	21,989	14,358	13,715	14,606	15,109
1997	7,813	5,573	5,302	7,050**	6,274*
CAGR	10.9%	9.9%	10.0%	15.7%	11.6%
Statistics related to residential property market					
Total GFA sold *(million sq.m.)*					
2003	17.71	5.12	11.33	2.92	4.47
2004	22.86	6.14	11.58	4.89	4.45
2005	25.66	8.34	17.92	7.17	4.68
2006	22.05	9.09	20.12	11.50	6.29
2007	17.32	10.70	33.10	13.58	7.84
Total sales revenue *(RMB' billion)*					
2003	78.92	10.36	15.00	8.03	12.06
2004	108.51	15.12	18.17	13.95	13.24
2005	150.18	24.91	34.07	21.33	16.75
2006	N/A***	32.13	41.87	36.64	24.27
2007	N/A***	48.31	85.67	47.87	42.47

* The figure quoted was for year 1999.

** The figure quoted was for year 2002.

*** The figures of total sales revenue from sale of residential properties in Beijing for year 2006 and 2007 are not available for public.

As shown from the above, sustainable growth is noted for both GDP and annual disposable income of urban resident per capita of those cities where the Project Sites situated at, which in turn can boost the demand for high quality residential properties well equipped with retail and recreational facilities.

Despite strong economic growth as detailed above, various austerity measures have continuously been exercised by the PRC government in recent years to maneuver the rapid growth of the PRC property market. The Directors are of the view that these measures can help regulate the real estate market so as to maintain a stable growth and well-ordered development without generating an asset bubble which may get burst under over-heated economy. Furthermore, those inexperienced small market players may be ruled out under the contractionary macro monetary policy currently adopted by the PRC government, which will be beneficial to the long-term development of those qualified market participants with strong financial resources, like the Group. In addition, as shown from the above, both the total GFA of residential properties sold and the total revenue achieved from the sale of residential properties were increasing for five consecutive years from 2003 to 2007 in Wuhan, Chongqing, Shenyang and Dalian, indicating that the demand for residential properties in those cities have not been hampered under the introduction of the austerity measures by the PRC government. For Beijing, although the total GFA sold for residential properties was generally decreasing from 2005 to 2007, the Group's sale of the residential properties in Beijing from 2005 to 2007 recorded year-on-year double-digit growth in annual average unit selling prices (as calculated from the 2007 Annual Report and the Group's published annual reports for the year ended 31 December 2005 and 2006) and the Directors believe that there is still considerable demand for premium quality residential properties as a result of the sustainable growth in annual disposable income of urban residents per capita.

On the other hand, as advised by the Directors, the occurrence of devastating earthquake in Sichuan Province, the PRC recently would inevitably affect the property market of that region in near term. However, the Directors believe that in the long run, the Sichuan earthquake will raise awareness of the property buyers towards the construction and safety standards of the properties, which is beneficial to the development of the quality property developers, such as the Group. Furthermore, since the Chongqing Site is not situated near to the epicentre and the proposed development, which is currently at the stage of foundation, is a large scale planning with eight phases to be fully completed in 2018, the Directors believe that the Sichuan earthquake should have minimal impact on the proposed development of the Chongqing Site or its phase-one presale in the first half of 2009. In addition, we have discussed with the Valuer that they were not aware of any material impact of the Sichuan earthquake to the valuation of the Chongqing Site.

1.3 Reasons for and benefits of the Acquisition

As stated in the 2007 Annual Report, the Group aimed to become a competitive and leading integrated provider of quality property products and services in the real estate market in the PRC and an industry leader both in terms of business scale and financial returns. Given the business and financial performance of the Group in recent years, the Group persistently pursued its business strategy to enhance productivity along the full value chain of all property segments by way of differentiation in its product design and integration of its services, and to cater for the increasing demand for residential properties from middle to high end customers, rental premises from brand retailers and office space from high end corporate clients. Prompt and continuous replenishment of the Group's land bank in a well-organized manner with a wide geographical presence firstly in first-tier, more developed and economically prosperous cities and followed by penetrating into second and third-tier cities is a key to success in securing the Group's long term growth. As set out in the 2007 Annual Report, the Group has replenished 14 parcels of land sites in 2007 extending its geographical reach from 9 cities to 16 cities with new presence in Chongqing, Dalian, Xiamen, Tianjin, Mianyang, Hangzhou and Wuxi and raising its land bank (in terms of GFA) by approximately 117% to approximately 17.8 million sq.m. for the purpose of residential development and investment property. The Directors believe that, as set out in the Letter, the Acquisition represents an opportunity for the Group to further increase its land bank in Beijing, Wuhan, Dalian and Chongqing while branching into Shenyang where they believe have attractive business opportunities. Subsequent to the Acquisition, the land bank of the Group (in terms of GFA) will be increased by approximately 4.2 million sq.m. As advised by the Directors, it is beneficial for the Group to acquire from CRH the Project Sites which are able to generate cashflow through pre-sale in the near future, which in turn can help the Group to mitigate the operating risk. In addition, the Directors believe that there are continual increases in demand for high quality properties as a result of improving economic environment in areas where the Project Sites are located. As set out in the paragraph headed "1.2 Prospects of the PRC property market" above, the indicators related to residential property market of those cities were generally in increasing trend in the past few years. Hence, it is reasonable for the Group, in its ordinary course of business, to replenish its land bank as and when opportunities arise so as to cope with relevant demand for residential properties in the future.

Other than the Group's core competency in residential property development and property investment, through the acquisition of construction and decoration businesses in 2007 as set out in the Company's circular dated 5 December 2007, the Group could offer value-added customer services which in turn, can further strengthen the Group's position and presence in the property market and enhance its profitability. As advised by the Directors, the Logic Furniture Group is one of the famous manufacturers of office furniture in the PRC with higher return on equity than the Group's existing businesses. Through the Acquisition, the recurrent earnings base of the Group can be enhanced and the Group can leverage on the Logic Furniture Group's expertise in manufacturing and sale of office furniture, which enables the Group to provide a one-stop solution of more extensive value-added services to its customers such as equipping its properties with the furniture from the Logic Furniture Group, reinforce the feature of differentiation in its business model and further intensify its competitive strength.

In view that (i) the Acquisition is in line with the Company's business development strategy to strengthen its position in property development and investment in the PRC and to become a one-stop solution provider to its property clients; (ii) the operating profit of the Logic Furniture Group can provide stream of income to the Group while the Project Sites are under development; and (iii) persistent growth in the PRC property market can be supported by sustained economic growth and increase in wealth of residents in the PRC, particularly in those cities where the Project Sites are located at, we concur with the Directors' view that the Acquisition represents a rational business opportunity of the Group to replenish its land bank for property development and investment portfolio in the PRC and further reinforce its position to provide more extensive value-added services to customers, which is beneficial to the Group and the Shareholders as a whole.

2 Principal terms of the Sale and Purchase Agreement

2.1 Consideration for the Acquisition and the adjustment mechanism

The aggregate Consideration of HK$9,212.17 million payable by the Company to the Vendor, comprising HK$9,015.17 million for the Project Sites and HK$197.0 million for the Logic Furniture Group, has been arrived at after arm's length negotiation between the Vendor and the Company.

(i) Consideration for the Project Sites

The consideration of HK$9,015.17 million for the Project Sites was determined with reference to the Vendor's attributable interest in the unaudited adjusted combined net assets value of the Project Sites as at 30 April 2008 of approximately HK$10,018.7 million which is derived from the sum of (i) the Vendor's attributable interest in the audited combined net assets value of the Target Group attributable to the Project Sites as at 31 December 2007 of approximately HK$123.5 million; (ii) the loss and increase in exchange reserve of the Target Group attributable to the Project Sites for four months ended 30 April 2008 as extracted from the unaudited combined management accounts of the Target Group of approximately HK$7.6 million and HK$135.7 million respectively; (iii) the capitalization of the shareholders' loans to the Target Group by the CRH Group as at 30 April 2008 of approximately HK$7,735.4 million; and (iv) increase in value of the Project Sites of approximately HK$2,031.7 million attributable to the Vendor, being the difference between the appraised value of the Project Sites and the net book value of the Project Sites as at 30 April 2008 (net of deferred taxation and minority interest). Since the Project Sites are held by the Target Group either under development or for future development, we consider that the basis of determining the consideration for the Project Sites with reference to the Vendor's attributable interest in the unaudited adjusted combined net assets value of the Project Sites is appropriate.

In accordance with the valuation report as set out in Appendix IV to the Circular, the market value of the Project Sites attributable to the Target Group in their existing states as at 30 April 2008 was estimated at RMB8,507.5 million (equivalent to approximately HK$9,470.5 million) by the Valuer. In assessing the consideration for the Project Sites, we have reviewed and discussed with the Valuer the methodology of, and bases and assumptions adopted for, the valuation of the Project Sites as set out in the independent valuation report. For the purpose of valuation, the Valuer has principally adopted the direct comparison approach. For the project sites held by the Target Group under development in the PRC, namely the Dalian Xinghaiwan Site and the Wuhan Site, reference is made to comparable sales evidence of development sites as available in the relevant markets, and adjusted with the construction costs and professional fees already incurred to arrive at the capital value of the Project Sites in their existing states. For the project sites held by the Target Group for future development, namely the Beijing Mengtougou Site, the Beijing Daxing Site, the Chongqing Site and the Shenyang Dingxianghu Site, comparison based on market price levels of comparable development sites is made. Comparable development sites of similar size, character and location are analyzed and weighted against all the respective advantages and disadvantages of each of the Project Sites in order to arrive at a fair comparison of capital value. The valuation of the Project Sites assumes that the Company will make the outstanding payment to the relevant government authority and parties for the land acquisition. The outstanding land premium and cost for each of the Project Sites, if any, have been deducted. We are of the view that the methodology adopted by the Valuer is a reasonable approach in deriving the open market value of the Project Sites.

As shown from the above, the consideration for the Project Sites of HK$9,015.17 million represents a discount of approximately 10.0% to the unaudited adjusted combined net assets value of the Project Sites attributable to the Group as at 30 April 2008 of approximately HK$10,018.7 million, which we consider is favorable to the Group and in the interests of the Group and the Independent Shareholders as a whole.

Furthermore, as set out in the Letter, in the event that any additional Land Acquisition Costs shall have been paid by the relevant member of the Target Group (not through the internal resources of the Target Group) or the Vendor (as evidenced by valid official receipts or such other supporting documents reasonably acceptable to the Company) on or after the date of the signing of the Sale and Purchase Agreement up to (and inclusive of) the Completion Date, the consideration for the Project Sites should be increased by an amount equivalent to such additional Land Acquisition Costs paid and such additional amount shall be paid by the Company to the Vendor by way of cash. Such adjustment shall, in any event, not exceed the Consideration Adjustment Cap of HK$50 million. In view that the adjustment to the consideration for the Project Sites is for the purpose of reimbursing any additional Land Acquisition Costs incurred by the Vendor which should be properly substantiated and subject to a cap, we consider that the adjustment mechanism is fair and reasonable.

(ii) Consideration for the Logic Furniture Group

The consideration of HK$197.00 million for the Logic Furniture Group was determined with reference to the price to earnings multiple of approximately 8.5 times of the audited consolidated net profit after taxation of, and based on the Vendor's attributable interest in, the Logic Furniture Group for the year ended 31 December 2007 of approximately HK$23.2 million. For reference only, the consideration represents a price to book multiple of approximately 1.7 times of the audited consolidated net assets value of the Logic Furniture Group as at 31 December 2007 of approximately HK$115.7 million.

In order to assess the fairness and reasonableness of the consideration for the Logic Furniture Group, we have, to the best of our knowledge and as far as we are aware of, identified four Hong Kong listed companies and three PRC listed companies (collectively, the "Comparable Companies") that are principally engaged in furniture business. We noted that the products manufactured and sold by the Comparable Companies and their geographical location of business operation may not be exactly identical to those of the Logic Furniture Group, but all of the following Comparable Companies are principally engaged in furniture business and we consider that they are relevant and would have reflected the market's collective valuation for the similar nature of business conducted by the

Logic Furniture Group. The following table illustrates the price to earnings multiple (the "P/E ratio") and the price to book multiple (the "P/B ratio") of the Comparable Companies as at the Latest Practicable Date:

Stock code	**Company name**	**Stock exchange**	**Principal business**	**P/E ratio as at the Latest Practicable Date** *times*	**P/B ratio as at the Latest Practicable Date** *times*
531	Samson Holding Limited	Hong Kong	Manufactures and wholesales the furnitures	8.01	0.90
997	Decca Holdings Limited	Hong Kong	Manufactures and trades furniture and decoration materials, and interior decoration works	5.74	1.52
1198	Royale Furniture Holdings Limited	Hong Kong	Designs, manufactures and sells a wide range of home furniture	5.99	0.59
8108	Fava International Holdings Limited	Hong Kong	Manufactures and retails wooden furniture	4.23*	2.27*
600337	Markor International Furniture Co., Ltd.	Shanghai	Manufactures and markets furniture under the Markor brand name	24.17	1.99
600978	Guangdong Yihua Timber Industrial Co., Ltd.	Shanghai	Manufactures and markets wooden furniture and wooden floor	15.76	1.95
000587	Guangming Group Furniture Co., Ltd.	Shenzhen	Manufactures a wide range of furniture, including household, office and hotel furniture	44.71	N/A**
For the Comparable Companies:					
Maximum				**44.71**	**2.27**
Minimum				**4.23**	**0.59**
Average				**15.52**	**1.54**
Logic Furniture Group *(Note)*				**8.49**	**1.71**

Source: Bloomberg

* As Fava International Holdings Limited suspended trading on the Stock Exchange since 23 June 2008, the P/E ratio and the P/B ratio are calculated based on its closing price on 20 June 2008 which was the last trading day immediately before the suspension of trading.

** The calculation of the P/B ratio was not available as Guangming Group Furniture Co., Ltd. recorded net liabilities as at 31 December 2007 as disclosed in its latest published annual report.

Note: The calculations of the P/E ratio and P/B ratio of the Logic Furniture Group are based on the consideration for the Logic Furniture Group of HK$197.0 million and the audited financial information of the Logic Furniture Group for the year ended 31 December 2007.

As shown from the above, the P/E ratios of the Comparable Companies range from approximately 4.23 to approximately 44.71, with an average P/E ratio of approximately 15.52 and the P/B ratios of the Comparable Companies range from approximately 0.59 to approximately 2.27, with an average P/B ratio of approximately 1.54.

Taking into account that (i) P/E ratio of the Logic Furniture Group falls below the average of the corresponding parameters of the Comparable Companies while P/B ratio of the Logic Furniture Group falls within the range of the corresponding parameters of the Comparable Companies; (ii) the Company will acquire a controlling stake in the Logic Furniture Group; and (iii) the Acquisition represents a suitable opportunity for the Group to further integrate vertically for provision of more extensive value-added customer services to its property clients, we are of the view that the consideration for the Logic Furniture Group is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

2.2 Settlement method of the Consideration

As set out in the Letter, the Consideration of HK$9,212.17 million is to be satisfied in the following manner:

(i) as to HK$197.0 million by cash payable within three months from the Completion Date and interest shall accrue at the rate of 1% above 1-month HIBOR for any outstanding amount after the Completion Date; and

(ii) as to HK$9,015.17 million by the allotment and issue of 675,799,850 Consideration Shares at the Issue Price of HK$13.34 each to be allotted, issued and credited as fully paid up to the Vendor (or as it may direct) on Completion.

2.2.1 Cash resources

As advised by the Company, the cash portion of the Consideration is intended to be satisfied by the Company's internal resources. The Group had audited cash and bank balances of approximately HK$4.5 billion as disclosed in the 2007 Annual Report (of which HK$197.0 million can be used for the payment of the cash portion of the Consideration). Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III to the Circular, we consider that the Group has the necessary financial resources to pay for the cash portion of the Consideration, which will not have any material effect to its financial position or operation. In addition, pursuant to the terms of the Sale and Purchase Agreement, the Company shall pay interest to the Vendor at the rate of 1% above 1-month HIBOR for any outstanding amount after the Completion Date. As advised by the Company, this arrangement is to allow the Group to have flexibility in deferring the cash payment with reference to its then financial position. As advised by the Company, the interest rate, which is lower than the Group's borrowing rate currently under negotiation with bank(s), is agreed between parties to reflect the unsecured nature of any outstanding amount. Based on the above, we consider that this arrangement is fair and reasonable.

2.2.2 Consideration Shares

As set out in the Letter, 675,799,850 Consideration Shares will be issued by the Company to the Vendor (or as it may direct) at the Issue Price of HK$13.34 per Consideration Share to settle a significant portion of the Consideration of HK$9,015.17 million.

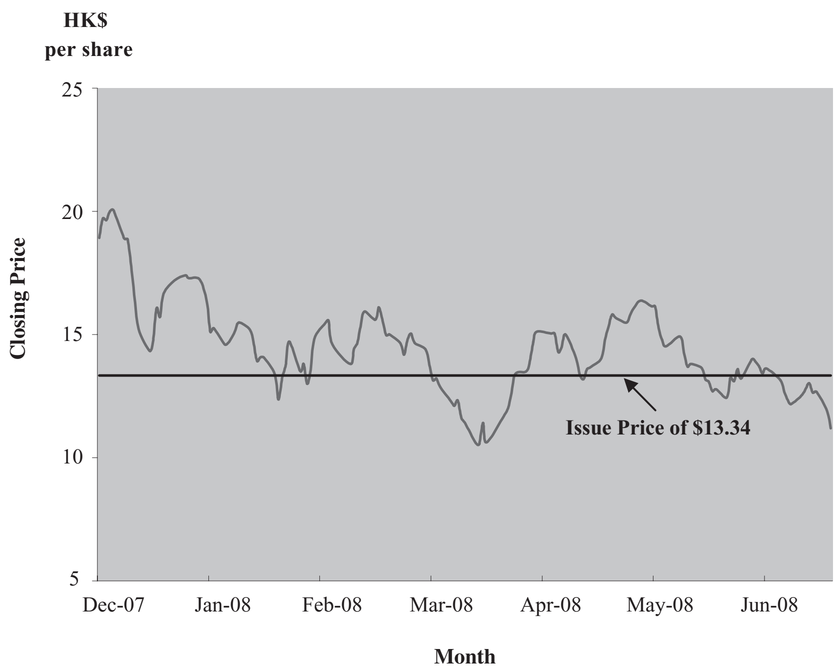
The Issue Price of the Consideration Shares was determined on an arm's length basis between the Company and the Vendor with reference to the average closing price of the Shares for the ten Purchaser Trading Days immediately preceding the date of the Sale and Purchase Agreement. The Consideration Shares represent approximately 16.7% of the Shares in issue as at the Latest Practicable Date and approximately 14.3% of the issued Shares as enlarged by the issue of Consideration Shares. There is no restriction on dealing with the Consideration Shares.

2.2.2.1 *Comparison of the Issue Price with the Share price*

The Issue Price of the Consideration Shares of HK$13.34 represents:

	Share price *(HK$)*	**Premium/ (discount) of the Issue Price of the Consideration Shares over/(to) the Share price** *(%)*
As at the Latest Practicable Date	11.20	19.11
As at the last trading day (the "Last Trading Day") prior to the release of the Company's announcement regarding the Acquisition	13.62	(2.06)
Five-day average up to and including the Last Trading Day	13.73	(2.84)
Ten-day average up to and including the Last Trading Day	13.43	(0.67)
Thirty-day average up to and including the Last Trading Day	14.28	(6.58)
The audited consolidated net assets value attributable to the Shareholders per Share of approximately HK$5.50 as at 31 December 2007		142.55

The chart below shows the daily closing prices of the Shares on the Stock Exchange from 1 December 2007 up to and including the Latest Practicable Date (the "Review Period"):



During the Review Period, the Shares were trading between HK$10.54 and HK$20.05 with an average of approximately HK$14.42 per Share. Despite the closing price of the Shares reaching the peak on 7 December 2007, the Shares were traded generally with downward trend until reaching the trough on 18 March 2008, followed by trading within the range between HK$11.20 and HK$16.38. As shown from the chart above, the Issue Price of the Consideration Shares was within the range of closing prices of the Shares traded during the Review Period.

2.2.2.2 Comparison of the Issue Price with other issues of consideration shares

In order to assess the fairness and reasonableness of the Issue Price of the Consideration Shares, we have identified and reviewed for acquisition transactions involving the issue of the consideration shares of not less than HK$1 billion by the companies listed on the Main Board of the Stock

Exchange from 1 May 2008 to the date of the Sale and Purchase Agreement. To the best of our knowledge and as far as we are aware of, three companies which met these criteria (the "CS Comparables") were identified. The table below summarises our relevant findings:

Name of company	**Date of announcement**	**Relevant consideration**	**Discount of the issue price of the consideration shares to the closing price of the shares at the last trading day**	**Discount of the issue price of the consideration shares to the average closing price of the shares for the last 5 trading days up to and including the last trading day**	**Premium/ (discount) of the issue price of the consideration shares over/to the average closing price of the shares for the last 10 trading days up to and including the last trading day**
		(HK$ million)	*(%)*	*(%)*	*(%)*
Fushan International Energy Group Ltd.	21-May-08	5,670.0	(0.66)	(3.27)	3.97
TravelSky Technology Limited	26-May-08	1,115.0	(4.48)	(4.13)	(5.47)
Franshion Properties (China) Limited	5-Jun-08	4,074.7	(3.65)	(3.54)	(0.09)
For the CS Comparables:					
Maximum			**(0.66)**	**(3.27)**	**3.97**
Minimum			**(4.48)**	**(4.13)**	**(5.47)**
Average			**(2.93)**	**(3.65)**	**(0.53)**
The Company	**6-Jun-08**	**9,015.17**	**(2.06)**	**(2.84)**	**(0.67)**

With reference to the above table, all of the discounts of the Issue Price of the Consideration Shares to the closing price of the Shares as at the Last Trading Day, to the average closing price of the Shares for the last 5 trading days up to and including the Last Trading Day, and to the average closing price of the Shares for the last 10 trading days up to and including the Last Trading Day of approximately 2.06%, approximately 2.84% and approximately 0.67% respectively are (i) within the range of those parameters of the CS Comparables; and (ii) less than the average of those parameters of the CS Comparables except that the discount of the Issue Price of the Consideration Shares to the average closing price of the Shares for the last 10 trading days up to and including the Last Trading Day is slightly higher than the average of those of the CS Comparables. Hence, we are of the view that the Issue Price of the Consideration Shares is generally in line with the market practice, fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

2.2.2.3 Dilution of the Independent Shareholders' shareholdings

Approximately 97.9% of the Consideration is to be satisfied by the allotment and issue of the Consideration Shares. Upon issuance of the Consideration Shares at Completion, a total of 675,799,850 new Shares will be issued, representing approximately 16.7% of the Shares in issue as at the Latest Practicable Date and approximately 14.3% of the issued Shares as enlarged by the issue of such new Consideration Shares. The shareholding of the Independent Shareholders will be diluted from approximately 37.86% to approximately 32.43%. In view that the issue of the Consideration Shares allows the Group to pursue the Acquisition without involving much initial cash outlay, we consider the potential dilution on the shareholding of the Independent Shareholders to be acceptable so far as the Independent Shareholders are concerned.

2.3 Profit guarantee

Pursuant to the Sale and Purchase Agreement, CRH has guaranteed to the Company that the net profit after taxation of the Logic Furniture Group for the year ending 31 December 2008 will not be less than HK$23.2 million (the "Profit Guarantee"). In the event that such net profit after taxation does not reach the guaranteed level, CRH will compensate the Company the shortfall between the guaranteed amount of HK$23.2 million and the actual net profit after taxation of the Logic Furniture Group for the year ending 31 December 2008 on a dollar-to-dollar basis. If the Logic Furniture Group is loss making for the year ending 31 December 2008, CRH will compensate the Company the aggregate of the guaranteed profit of HK$23.2 million and the net loss after taxation of the Logic Furniture Group for that period on a dollar-to-dollar basis. As advised by the Directors, the offer of the Profit Guarantee by the Vendor is to demonstrate its confidence in the business of the Logic Furniture Group. In view that the Profit Guarantee would safeguard and further protect the interest of the Group, we consider it is favorable to the Group.

3 Financial effects of the Acquisition on the Group

The following illustrates the effect on net tangible assets value, earnings, cash position and the gearing level of the Group as a result of the Acquisition assuming that there will not be any changes to the total issued share capital of the Company from the Latest Practicable Date to the Completion Date.

3.1 Net tangible assets value

The Group had an audited consolidated net tangible assets value attributable to the equity shareholders of the Company of approximately HK$22,079 million as at 31 December 2007, representing a consolidated net tangible assets attributable to the equity shareholders of the Company per Share of approximately HK$5.47 based on the number of the Shares in issue of 4,035,926,318 Shares as at the Latest Practicable Date. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III to the Circular, assuming the Acquisition had taken place on 31 December 2007, the Group's net tangible assets value attributable to the equity shareholders of the Company would be increased by approximately HK$9,919 million, mainly as a result of the partial settlement of the Consideration of HK$9,015.17 million by way of issue of 675,799,850 Consideration Shares at the Issue Price of HK$13.34 per Consideration Share by the Company to the Vendor, the recognition of capital contribution from the controlling Shareholder of approximately HK$1,003 million representing the discount of the consideration of the Project Sites to the adjusted net assets value of the Project Sites and the recognition of goodwill arising from the Acquisition of approximately HK$81.3 million. The total number of Shares in issue as a result of the Acquisition would be 4,711,726,168 Shares and the consolidated net tangible assets attributable to the equity shareholders of the Company per Share would be increased to approximately HK$6.8. The enhancement in the net tangible assets of the Enlarged Group attributable to the equity shareholders of the Company represents a benefit to the Group and the Shareholders as a whole.

3.2 Earnings

The Group had an audited consolidated net profit after taxation attributable to the equity holders of the Company for the year ended 31 December 2007 of approximately HK$1,431.1 million. As a result of the Acquisition, the results of the Group would be enhanced by the positive contribution from the Logic Furniture Group. The enhancement in the earnings of the Enlarged Group is in the interests of the Group and the Shareholders as a whole.

3.3 Cashflow

As advised by the Company, the cash portion of the Consideration of HK$197.0 million will be satisfied from the internal resources of the Group. As disclosed in the 2007 Annual Report, the Group had audited cash and bank balances of approximately HK$4,516.8 million as at 31 December 2007. Hence, the settlement of the cash portion of the Consideration would not have any material impact on the Group's working capital.

3.4 Gearing

Based on the 2007 Annual Report, the Group had an audited gearing ratio as at 31 December 2007 of approximately 49.3% (being the Group's total bank borrowings less cash and bank balances, of approximately HK$10,917.1 million over the Group's equity attributable to the Shareholders of approximately HK$22,129.5 million). In accordance with the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III to the Circular, assuming the Acquisition had taken place on 31 December 2007, the Group's net debt would be reduced by approximately HK$9.2 million after settlement of cash portion of the Consideration of HK$197.0 million and the contribution of cash and bank balances from the Target Group of approximately HK$206.2 million as at 31 December 2007. The Group's equity attributable to the Shareholders would be increased by HK$9,015.17 million after issue of 675,799,850 Consideration Shares for settlement of remaining portion of the Consideration. Hence, the gearing ratio of the Group would be reduced to approximately 33.9% (being the Enlarged Group's total bank borrowings less cash and bank balances, of approximately HK$10,907.9 million over the Enlarged Group's equity attributable to the Shareholders of approximately HK$32,148.2 million) as a result of the Acquisition. The improvement in the gearing ratio of the Enlarged Group is in the interest of the Group and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons in respect of the Acquisition, we are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is on normal commercial terms, the business to be conducted by the Target Group is in the normal and usual course of business of the Group and the entering into of the Sale and Purchase Agreement is in the interests of the Group and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares).

Yours faithfully,
For and on behalf of
Taifook Capital Limited
Derek C.O. Chan **Terry Chu**
Managing Director *Director*

1. Financial Summary

The following is a summary of the audited consolidated income statement of the Group for each of the three years ended December 31, 2005, 2006 and 2007, and the audited assets and liabilities of the Group as at December 31, 2005, 2006 and 2007 (as extracted from the financial statements of the Company's annual reports for the years ended December 31, 2006 and 2007).

Group's results

	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	5,681,095	3,936,730	2,706,886
Profit (loss) before taxation	2,771,434	1,332,486	485,260
Taxation	(1,296,192)	(480,611)	(46,937)
Profit (loss) for the year	1,475,242	851,875	438,323
Attributable to:			
Equity holders of the Company	1,431,082	858,675	384,512
Minority interests	44,160	(6,800)	53,811
	1,475,242	851,875	438,323

Group's assets and liabilities

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
Goodwill	50,423	–	–
Property, plant and equipment	3,161,640	817,831	541,035
Prepaid lease payments	401,735	40,362	42,208
Investment properties	8,967,812	7,619,400	6,967,634
Deferred taxation assets	374,174	369,403	248,863
Long-term investments	789,820	686,699	817,930
Amount due from an associate	237,464	245,070	230,708
Current assets	33,501,741	16,960,550	8,926,325
Total assets	47,484,809	26,739,315	17,774,703
Current liabilities	9,874,272	8,182,314	4,977,380
Long-term liabilities	12,721,736	6,157,538	3,959,538
Deferred taxation liabilities	1,276,939	666,289	507,942
Total liabilities	23,872,947	15,006,141	9,444,860
	23,611,862	11,733,174	8,329,843
Equity attributable to equity holders of the Company	22,129,461	11,513,357	8,106,286
Minority interests	1,482,401	219,817	223,557
	23,611,862	11,733,174	8,329,843

2. Audited Financial Statements

The following is the audited consolidated income statement of the Group for each of the two years ended December 31, 2006 and 2007, and the audited consolidated balance sheet of the Group as at December 31, 2006 and 2007 together with the relevant notes, as extracted from the Company's annual report for the year ended December 31, 2007.

Consolidated Income Statement
For the year ended 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000 (Restated)*
Revenue	*5*	5,681,095	3,936,730
Cost of sales		(3,597,462)	(2,662,373)
Gross profit		2,083,633	1,274,357
Gain on changes in fair value of investment properties		799,955	528,551
Other income	*7*	389,695	202,419
Selling and marketing expenses		(141,504)	(110,814)
General and administration expenses		(275,233)	(238,324)
Impairment loss recognised in respect of available-for-sale investments		–	(158,658)
Share of results of associates		67,715	11,874
Finance costs	*10*	(152,827)	(176,919)
Profit before taxation		2,771,434	1,332,486
Taxation	*11*	(1,296,192)	(480,611)
Profit for the year	*12*	1,475,242	851,875
Attributable to:			
Equity holders of the Company		1,431,082	858,675
Minority interests		44,160	(6,800)
		1,475,242	851,875
Dividends	*13*		
Paid		281,013	166,048
Proposed		297,865	169,464
Earnings per share	*14*		
Basic		HK39.8 cents	HK27.6 cents
Diluted		HK39.2 cents	HK27.2 cents

Consolidated Balance Sheet
At 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000 (Restated)*
Non-current assets			
Goodwill	*15*	50,423	–
Property, plant and equipment	*16*	3,161,640	817,831
Prepaid lease payments	*17*	401,735	40,362
Investment properties	*18*	8,967,812	7,619,400
Interests in associates	*19*	593,600	489,394
Amount due from an associate	*20*	237,464	245,070
Available-for-sale investments	*21*	196,220	197,305
Deferred taxation assets	*22*	374,174	369,403
		13,983,068	9,778,765
Current assets			
Inventory of properties	*23*	21,953,226	9,171,918
Prepaid lease payments	*17*	923	923
Other inventories	*24*	12,734	12,138
Trade receivables, other receivables and deposits paid	*25*	6,766,924	4,388,697
Amounts due from customers for contract works	*26*	190,784	–
Amounts due from fellow subsidiaries	*27*	2,791	3,735
Amounts due from immediate holding company	*27*	5,026	–
Tax prepaid		52,532	25,511
Cash and bank balances	*28*	4,516,801	3,357,628
		33,501,741	16,960,550
Current liabilities			
Trade and other payables	*29*	2,096,676	1,738,495
Deposits received from pre-sales of properties		3,573,992	1,398,610
Amounts due to customers for contract works	*26*	124,248	–
Amounts due to fellow subsidiaries	*30*	425	85,506
Amount due to immediate holding company	*30*	–	1,228,300
Amount due to a minority shareholder	*30*	503,084	–
Bank borrowings – due within one year	*31*	2,712,212	3,434,031
Taxation payable		863,635	297,372
		9,874,272	8,182,314
Net current assets		23,627,469	8,778,236
Total assets less current liabilities		37,610,537	18,557,001

	Notes	2007 *HK$'000*	2006 *HK$'000* *(Restated)*
Capital and reserves			
Share capital	*32*	402,520	332,281
Reserves		21,726,941	11,181,076
Equity attributable to equity holders of the Company		22,129,461	11,513,357
Minority interests		1,482,401	219,817
		23,611,862	11,733,174
Non-current liabilities			
Bank borrowings – due after one year	*31*	12,721,736	6,157,538
Deferred taxation liabilities	*22*	1,276,939	666,289
		13,998,675	6,823,827
		37,610,537	18,557,001

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserves HK$'000 (note)	Investment revaluation reserve HK$'000	Exchange translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	277,367	5,377,897	1,131,520	23,510	–	84,351	7,739	1,203,902	8,106,286	223,557	8,329,843
Exchange translation reserve arising on translation of subsidiaries in Chinese Mainland recognised directly in equity	–	–	–	–	–	268,230	–	–	268,230	23,676	291,906
Profit for the year	–	–	–	–	–	–	–	858,675	858,675	(6,800)	851,875
Total recognised income for the year	–	–	–	–	–	268,230	–	858,675	1,126,905	16,876	1,143,781
Recognition of equity-settled share based payments	–	–	–	–	–	–	29,352	–	29,352	–	29,352
Transfer of reserve in subsidiaries	–	–	–	38,124	–	–	–	(38,124)	–	–	–
Placement of new shares	30,000	1,064,829	–	–	–	–	–	–	1,094,829	–	1,094,829
Exercise of share options	6,304	98,644	–	–	–	–	(6,967)	–	97,981	–	97,981
Shares issued	18,610	1,205,442	–	–	–	–	–	–	1,224,052	–	1,224,052
Increase in capital injection	–	–	–	–	–	–	–	–	–	475,300	475,300
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	(487,967)	(487,967)
Final dividend for 2005	–	–	–	–	–	–	–	(102,679)	(102,679)	(7,949)	(110,628)
Additional final dividend for prior year	–	–	–	–	–	–	–	(657)	(657)	–	(657)
Interim dividend for 2006	–	–	–	–	–	–	–	(62,712)	(62,712)	–	(62,712)
At 31 December 2006	332,281	7,746,812	1,131,520	61,634	–	352,581	30,124	1,858,405	11,513,357	219,817	11,733,174
Exchange translation reserve arising on translation of subsidiaries in Chinese Mainland	–	–	–	–	–	925,606	–	–	925,606	17,195	942,801
Fair value gain on available-for-sale investments	–	–	–	–	11,280	–	–	–	11,280	–	11,280
Total income recognised directly in equity	–	–	–	–	11,280	925,606	–	–	936,886	17,195	954,081
Profit for the year	–	–	–	–	–	–	–	1,431,082	1,431,082	44,160	1,475,242
Realised gain on disposal of available-for-sale investments	–	–	–	–	(11,280)	–	–	–	(11,280)	–	(11,280)
Total recognised income for the year	–	–	–	–	–	925,606	–	1,431,082	2,356,688	61,355	2,418,043
Recognition of equity-settled share based payments	–	–	–	–	–	–	14,176	–	14,176	–	14,176
Transfer of reserve in subsidiaries	–	–	–	34,555	–	–	–	(34,555)	–	–	–
Placement of new shares	40,000	3,881,214	–	–	–	–	–	–	3,921,214	–	3,921,214
Exercise of share options	3,330	89,639	–	–	–	–	(16,730)	–	76,239	–	76,239
Shares issued	26,909	4,501,891	–	–	–	–	–	–	4,528,800	–	4,528,800
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	1,329,231	1,329,231
Acquisition of additional non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	–	(128,002)	(128,002)
Final dividend for 2006	–	–	–	–	–	–	–	(169,464)	(169,464)	–	(169,464)
Additional final dividend for prior year	–	–	–	–	–	–	–	(21,517)	(21,517)	–	(21,517)
Interim dividend for 2007	–	–	–	–	–	–	–	(90,032)	(90,032)	–	(90,032)
At 31 December 2007	402,520	16,219,556	1,131,520	96,189	–	1,278,187	27,570	2,973,919	22,129,461	1,482,401	23,611,862

Note: The Group's general reserves comprise the Group's share of the post acquisition statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve of subsidiaries in the Chinese Mainland.

In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries established in the PRC, theses subsidiaries were required to appropriate 10% and 5% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund, respectively.

The Group's subsidiaries which are established as foreign investment enterprises are required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory reserve fund and a certain percentage of the profit for the year to enterprise expansion fund at the discretion of the board of directors of the respective companies.

The statutory surplus reserve and statutory reserve fund can only be used to make good of previous years' losses or to increase the capital of respective companies upon the approval of relevant authority, the statutory public welfare fund can only be used in capital expenditure for collective companies or to expand their production scale upon approval by the relevant authorities.

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
		(Restated)
OPERATING ACTIVITIES		
Profit before taxation	2,771,434	1,332,486
Adjustments for:		
Finance costs	152,827	176,919
Bank interest income	(79,694)	(73,656)
Discount on acquisition of additional non-controlling interests in a subsidiary	(20,415)	–
Gain on changes in fair value of investment properties	(799,955)	(528,551)
Gain on changes in fair value on derivative financial instruments	–	(7,120)
Gain on disposal of available-for-sale investments	(17,570)	–
Depreciation of property, plant and equipment	32,316	35,238
Gain on disposal of property, plant and equipment	–	(61)
Amortisation of prepaid lease payments	923	923
Allowance for bad and doubtful debts	28,387	–
Impairment loss recognised in respect of available-for-sale investments	–	158,658
Write down of inventory of properties	–	68,156
Recognition of equity-settled share based payment	14,176	29,352
Share of results of associates	(67,715)	(11,874)
Operating cash flows before movements in working capital	2,014,714	1,180,470
Increase in inventory of properties	(7,080,456)	(1,443,682)
Decrease (increase) in other inventories	328	(1,517)
Increase in trade receivables, other receivables and deposits paid	(1,387,146)	(2,731,398)
Increase in amounts due from customers for contract work	(115,903)	–
Increase in amounts due from fellow subsidiaries	1,197	(3,183)
Increase in amount due from immediate holding company	(5,026)	–
Increase in trade and other payables	(297,492)	159,140
Increase in deposits received from pre-sales of properties	1,605,124	182,581
Increase in amounts due to customers for contract works	87,426	–
(Decrease) increase in amounts due to fellow subsidiaries	(91,286)	74,514
Cash used in operations	(5,268,520)	(2,583,075)
Chinese Mainland Enterprise Income Tax paid	(236,845)	(82,281)
NET CASH USED IN OPERATING ACTIVITIES	(5,505,365)	(2,665,356)

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	34	(20,559)	(306,660)
Acquisition of additional non-controlling interest in a subsidiary		(107,587)	–
Interest received		79,694	73,656
Proceeds on disposal of property, plant and equipment		771	1,051
Proceeds from disposal of available-for-sale investment		19,570	–
Advance to an associate		–	(5,000)
Purchases of property, plant and equipment		(303,164)	(275,398)
Purchase of investment properties		–	(20,267)
Settlement of derivative financial instruments		–	(18,565)
NET CASH USED IN INVESTING ACTIVITIES		(331,275)	(551,183)
FINANCING ACTIVITIES			
New bank loans raised		12,250,853	7,097,580
Repayments of bank loans		(7,104,821)	(3,543,210)
Dividends paid		(281,013)	(166,048)
Interest paid		(671,154)	(342,586)
Capital injections from minority interests		–	475,300
Proceeds on placement of new shares		3,921,214	1,094,829
Proceeds of issue of shares		76,239	97,981
Repayment to immediate holding company		(1,228,300)	(425,187)
NET CASH FROM FINANCING ACTIVITIES		6,963,018	4,288,659
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,126,378	1,072,120
EFFECT OF FOREIGN EXCHANGE RATE CHANGE		32,795	288,627
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,357,628	1,996,881
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		4,516,801	3,357,628
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,516,801	3,357,628

Notes to the Financial Statements

For the year ended 31 December 2007

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The immediate holding company as at 31 December 2007 is China Resources (Holdings) Company Limited ("CRH"). The directors regard the ultimate holding company of the Company to be China Resources National Corporation ("CRNC"), a company incorporated in the Chinese Mainland. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Company, Renminbi ("RMB") as the Company is a public company incorporated in Hong Kong with the shares listed on Hong Kong Stock Exchange, where most of its investors are located in Hong Kong and therefore, the directors consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the Company and the Group. The majority of the Company's subsidiaries are operating in the Chinese Mainland with RMB as their functional currency.

The principal activities of the Group are property development, investment and management and construction and decoration services.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

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

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates 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 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.

Acquisition of additional interest in a subsidiary is recorded at the Group's book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interest over the cost of acquisition is recognised as discount on acquisition in the profit and loss.

Business combinations

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

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

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

Goodwill

Goodwill arising on an acquisition of businesses for which the agreement date is on or after 1 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 businesses at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses. Capitalised goodwill arising on an acquisition of businesses is presented separately in the consolidated balance sheet.

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

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

Investments in associates

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

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 associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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.

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 discount.

Revenue from sale of properties held for sale in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Property management income and service income are recognised when services are provided.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and 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 after taking into account of their estimated residual values, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Property that is being constructed or developed for future use as an investment property is classified as property, plant and equipment and carried at cost less recognised impairment loss until construction or development is complete, at which time it is reclassified to and subsequently accounted for as investment property. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Leasehold land and building under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction.

Buildings under construction are carried at cost, less any identified impairment losses.

Depreciation of buildings 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).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Inventory of properties is transferred to investment property when it is evidenced by the commencement of an operating lease to another party. The difference between the fair value and the carrying amount at the date of transfer is recognised in the consolidated income statement.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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.

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.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade receivables, other receivables and deposits paid.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets 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 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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire contract is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of nonmonetary 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 operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

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 year in which they are incurred.

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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 taxation is also dealt with in equity.

Inventory of properties

Inventory of properties includes properties under development and properties held for sale which are stated at lower of cost and net realisable value.

The carrying value of inventory of properties comprises the leasehold interest in land together with development expenditure, which includes construction costs and borrowing costs capitalised.

Land cost includes land premium and expenditure for demolition.

Other inventories

Other 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 into 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.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits paid, amounts due from customers for contract works, amounts from due an associate, immediate holding company and fellow subsidiaries and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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 ("FVTPL"), 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 (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

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

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities represent other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to fellow subsidiaries, amount due to a minority shareholder and bank 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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and 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 Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group 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.

Share-based payments transactions

Share options granted to employees after 7 November 2002 and vested on or after 1 January 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 employee share based compensation reserve.

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

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Retirement benefit contributions

Payment to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment loss on inventory of properties

Included in the consolidated balance sheet at 31 December 2007 are inventory of properties of HK$21,953,226,000 (2006: HK$9,171,918,000) which are carried at the lower of cost and net realisable value. Management conducts assessments on the net realisable value of inventories by reference to their estimated net selling price and other economic conditions of the markets in which the Group's properties are situated. If the actual selling prices of inventory of properties are substantially less than expected due to an adverse market condition or other factors, impairment loss on inventory of properties may result. For the year ended 31 December 2006, an impairment loss on inventories of properties of HK$68,156,000 was made in the consolidated financial statements. No impairment loss was made in the current year.

Deferred tax assets

As at 31 December 2007, a deferred taxation asset of HK$374,174,000 (2006: HK$369,403,000) in relation to allowance for bad and doubtful debts, write down of inventory of properties, impairment loss of available-for-sale investments and the provision of Land Appreciation Tax has been recognised in the Group's consolidated balance sheet. No deferred tax asset has been recognised on the tax losses of HK$180,491,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are less than or more than expected, a reversal or recognition of the deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal or recognition takes place.

5. REVENUE

Revenue represents income from sale of developed properties, rental income, property management and related services, construction and decoration services as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Sale of developed properties	4,333,536	3,120,870
Rental income	738,957	587,087
Property management and related services	247,405	228,773
Construction and decoration services	361,197	–
	5,681,095	3,936,730

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

Year ended 31 December 2007

	Sale of developed properties	**Property investments and management**	**Construction and decoration services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	4,333,536	986,362	361,197	5,681,095
Result				
Segment result	1,200,551	1,297,377	13,492	2,511,420
Unallocated interest income				79,694
Unallocated other income				310,001
Unallocated corporate expenses				(44,569)
Share of results of associates	–	67,715	–	67,715
Finance costs				(152,827)
Profit before taxation				2,771,434
Taxation				(1,296,192)
Profit for the year				1,475,242

	Sale of developed properties	Property investments and management	Construction and decoration services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other information					
Capital additions	10,175	2,291,046	52,551	604	2,354,376
Depreciation of property, plant and equipment	25,580	6,049	411	276	32,316

At 31 December 2007

	Sale of developed properties	Property investments and management	Construction and decoration services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Segment assets	31,080,043	9,840,272	584,601	41,504,916
Interests in associates	–	593,600	–	593,600
Amount due from an associate	237,464	–	–	237,464
Unallocated corporate assets				5,148,829
Consolidated total assets				47,484,809
Liabilities				
Segment liabilities	5,184,253	536,828	577,344	6,298,425
Unallocated corporate liabilities				17,574,522
Consolidated total liabilities				23,872,947

Year ended 31 December 2006

	Sale of developed properties	Property investments and management	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)		*(Restated)*
Revenue			
External sales	3,120,870	815,860	3,936,730
Result			
Segment result	641,769	885,096	1,526,865
Unallocated interest income			73,656
Unallocated other income			128,763
Income from investments			7,120
Unallocated corporate expenses			(80,215)
Impairment loss recognised in respect of available-for-sale investments			(158,658)
Share of results of associates	–	11,874	11,874
Finance costs			(176,919)
Profit before taxation			1,332,486
Taxation			(480,611)
Profit for the year			851,875

	Sale of developed properties	Property investments and management	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other information				
Capital additions	4,829	289,985	851	295,665
Depreciation of property, plant and equipment	24,546	10,416	276	35,238
Write down of inventory of properties included in cost of sales	68,156	–	–	68,156
Impairment loss recognised in respect of available-for-sale investments	–	–	158,658	158,658

At 31 December 2006

	Sale of developed properties	Property investments and management	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	14,050,187	7,999,533	22,049,720
Interests in associates	–	489,394	489,394
Amount due from an associate	245,070	–	245,070
Unallocated corporate assets			3,955,131
Consolidated total assets			26,739,315
Liabilities			
Segment liabilities	2,822,778	399,833	3,222,611
Unallocated corporate liabilities			11,783,530
Consolidated total liabilities			15,006,141

(b) No geographical segment analysis is shown as more than 90% of the Group's businesses are derived from activities in, and from customers located in, the Chinese Mainland and more than 90% of the carrying values of assets of the Group are situated in the Chinese Mainland.

7. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Exchange gain	267,745	113,359
Bank interest income	79,694	73,656
Discount on acquisition of additional non-controlling interests in a subsidiary	20,415	–
Gain on changes in fair value on derivative financial instruments	–	7,120
Gain on disposal of available-for-sale investments	17,570	–
Others	4,271	8,284
	389,695	202,419

8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 12 (2006: 19) directors were as follows:

2007	Song Lin	Wang Yin	Jiang Wei	Yan Biao	Liu Yanjie	Xie Shengxi	Du Wenmin	Li Fuzuo	Wang Shi	Andrew Y. Yan	Hiu Ngai, Bosco	Chan Mo Po, Paul	Total 2007
	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*
Fees													
Executive directors	70	70	–	–	–	–	–	–	–	–	–	–	140
Non-executive directors	–	–	70	70	70	46	24	24	–	–	–	–	304
Independent non-executive directors	–	–	–	–	–	–	–	–	120	120	120	120	480
	70	70	70	70	70	46	24	24	120	120	120	120	924
Other emoluments													
Salaries and other benefits	–	2,513	–	–	–	–	–	–	–	–	–	–	2,513
Contribution to retirement benefit schemes	–	100	–	–	–	–	–	–	–	–	–	–	100
Share option expense	–	–	–	–	206	–	206	206	–	–	–	–	618
Total emoluments	–	2,613	–	–	206	–	206	206	–	–	–	–	3,231

2006	Song Lin	Wang Yin	Jiang Wei	Yan Biao	Liu Yan Jie	Xie Sheng Xi	Paul Wolansky	Keung Chi Wang, Ralph	Lau Pak Shing	Zhong Yi	Chen Ying	Chen Kai	Tang Yong	He Zheng Rong	Wang Shi	Wong Kong Chi	Andrew Y. Yan	Hin Ngai, Bosco	Chan Mo Po, Paul	Total 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*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees																				
Executive directors	60	70	–	–	–	–	–	–	10	10	10	10	10	10	–	–	–	–	–	190
Non-executive directors	–	–	60	70	–	60	–	10	–	–	–	–	–	–	–	–	–	–	–	200
Independent non-executive directors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	120	64	57	120	57	418
	60	70	60	70	–	60	–	10	10	10	10	10	10	10	120	64	57	120	57	808
Other emoluments																				
Salaries and other benefits	–	2,363	–	–	–	–	–	–	–	–	1,624	1,576	1,612	821	–	–	–	–	–	7,996
Contribution to retirement benefit schemes	–	98	–	–	–	–	–	–	–	–	81	81	81	45	–	–	–	–	–	386
Share option expense	–	1,230	246	246	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,722
Total emoluments	–	3,691	246	246	–	–	–	–	–	–	1,705	1,657	1,693	866	–	–	–	–	–	10,104

Note: During the year, none of the directors have waived the directors' emoluments (2006: None). None of the directors have received any inducement pay for joining or upon joining the Company.

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2006: one) was director of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining four (2006: four) individuals were as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	7,915	8,328
Contributions to retirement benefit schemes	226	264
Performance related incentive payments	2,813	8,067
	10,954	16,659

Their emoluments were within the following bands:

	No. of employees 2007	2006
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$4,000,000	2	2
HK$4,000,001 to HK$5,000,000	–	1
HK$5,000,001 to HK$6,000,000	–	1
	4	4

10. FINANCE COSTS

	2007 *HK$'000*	2006 *HK$'000*
Interest on bank loans wholly repayable:		
Within five years	(659,076)	(342,586)
Over five years	(12,078)	–
Others	(24,322)	–
Total borrowing cost	(695,476)	(342,586)
Less: Amount capitalised in properties under development for specific bank borrowings	542,649	165,667
	(152,827)	(176,919)

11. TAXATION

	2007 *HK$'000*	2006 *HK$'000* *(Restated)*
The charge comprises:		
Current tax:		
Hong Kong Profit Tax	(410)	–
Chinese Mainland Enterprise Income Tax	(474,971)	(213,458)
Land Appreciation Tax	(256,965)	(188,833)
Underprovision in prior years:		
Chinese Mainland Enterprise Income Tax	–	(51,751)
	(732,346)	(454,042)
Deferred taxation *(note 22)*		
Current year	(185,520)	(26,569)
Attributable to changes in tax rates	(378,326)	–
	(1,296,192)	(480,611)

Provision for Chinese Mainland Enterprise Income Tax for both years has been made based on the subsidiaries' estimated assessable profits calculated in accordance with the relevant enterprise income tax laws applicable to the subsidiaries in the Chinese Mainland.

Hong Kong Profits Tax has been provided at 17.5% of the estimated assessable profits for the year.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for the Group's certain subsidiaries from 1 January 2008. For those subsidiaries enjoying privilege rate of 15%, the new tax rate is progressively increasing to 25% over five years. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The deferred taxation charge attributable to changes in tax rates of approximately HK$378 million resulting from changes in applicable tax rates as mentioned above included the effect of approximately HK$247 million in relation to the deferred tax liabilities of the fair value adjustment arising from the assets injection from the Company's immediate holding company, China Resources (Holdings) Company Limited, in December 2005. The discount arising from such assets injection amounting to approximately HK$1,132 million was credited to the capital reserve account in the consolidated statement of changes in equity for the year ended 31 December 2005.

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

	2007	**2006**
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	2,771,434	1,332,486
Tax charge at domestic tax rate of 33% (2006: 33%)	(914,573)	(439,720)
Tax effect of share of results of associates	22,346	3,918
Tax effect of expenses not deductible for tax purpose	(51,848)	(12,698)
Tax effect of income not taxable for tax purpose	27,206	23,859
Tax effect of tax losses not recognised	(2,939)	(29,838)
Utilisation of tax losses previously not recognised	50,100	7,386
Income taxed at concessionary rate	108,886	35,881
Effect of different tax rates of subsidiaries	15,123	108,870
Land appreciation tax	(256,965)	(188,833)
Tax effect of land appreciation tax	84,798	62,315
Under provision in prior years	–	(51,751)
Effect on opening deferred tax assets and liabilities resulting from changes in applicable tax rates	(378,326)	–
Tax charge for the year	(1,296,192)	(480,611)

12. PROFIT FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments		
Fees	924	808
Salaries and other emoluments	2,613	8,382
Other staff costs	153,550	114,638
Retirement benefit cost, excluding amount included in directors' emoluments	24,201	12,554
Share option benefits expenses (excluding amount included in directors' emoluments)	13,559	27,630
Total staff costs	194,847	164,012
Less: Amount capitalised in the properties under development	(28,152)	(18,621)
	166,695	145,391
Cost of inventories recognised as expense	3,523,417	2,384,377
Auditors' remuneration	1,250	1,589
Amortisation of prepaid lease payments	923	923
Impairment losses recognised on other receivables	28,387	–
Write down of inventory of properties included in cost of sales	–	68,156
Depreciation of property, plant and equipment	32,316	35,238
Gain on disposal of property, plant and equipment	–	(61)
Share of tax of associates (included in share of results of associates)	(13,373)	3,994
and after crediting:		
Gross rental income from investment properties	738,957	587,087
Less: Direct operating expenses from investment properties that generated rental income during the year	(136,130)	(106,648)
	602,827	480,439

Note: Profit of the Company for 2007 amounted to approximately HK$94,144,000 (2006: loss of approximately HK$95,105,000).

13. DIVIDENDS

	2007 *HK$'000*	2006 *HK$'000*
Dividend paid:		
Interim dividend paid during the year		
– HK2.4 cents (2006: HK2.0 cents) per ordinary share	90,032	62,712
Final dividend in respect of 2006, approved and paid		
– HK5.1 cents per ordinary share	169,464	–
Final dividend in respect of 2005, approved and paid		
– HK3.3 cents per ordinary share	–	102,679
Additional final dividend for prior year due to exercise of share options and placement of new shares	21,517	657
	281,013	166,048
Dividend proposed:		
Final dividend proposed for the year		
– HK7.4 cents (2006: HK5.1 cents) per ordinary share	297,865	169,464

The final dividend of HK7.4 cents per ordinary share in respect of the financial year ended 31 December 2007 has been proposed by the directors of the Company which is based on the latest number of shares of 4,025,201,318 in issue and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2007 *HK$'000*	2006 *HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity holders of the Company)	1,431,082	858,675

	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,599,933,445	3,109,038,980
Effect of dilutive potential ordinary shares on share options	47,443,349	48,175,061
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,647,376,794	3,157,214,041

15. GOODWILL

	HK$'000
COST	
At 1 January 2007	–
Arising on acquisition of a subsidiary *(note 34(i))*	50,423
At 31 December 2007	50,423
CARRYING AMOUNTS	
At 31 December 2007	50,423

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill have been allocated to the construction and decoration cash generating units (CGUs), including various subsidiaries included in the construction and decoration segment.

During the year ended 31 December 2007, management of the Group determines that there are no impairments of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 10%. Cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU of construction and decoration to exceed the aggregate recoverable amount of this CGU.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2006	538,658	63,825	18,731	18,903	640,117
Currency realignment	25,744	3,413	1,036	11,609	41,802
Additions	–	26,025	2,143	247,230	275,398
Write-off	–	(2,604)	(877)	–	(3,481)
At 31 December 2006	564,402	90,659	21,033	277,742	953,836
Currency realignment	36,123	10,337	3,115	31,808	81,383
Additions	252	11,874	2,638	288,400	303,164
Acquired on acquisition of subsidiaries *(Note 34)*	149	8,626	3,272	1,988,742	2,000,789
Disposal	–	(6,993)	(2,835)	–	(9,828)
At 31 December 2007	600,926	114,503	27,223	2,586,692	3,329,344
DEPRECIATION AND AMORTISATION					
At 1 January 2006	72,298	16,012	10,772	–	99,082
Currency realignment	2,027	1,445	704	–	4,176
Provided for the year	14,407	18,193	2,638	–	35,238
Write-off	–	(1,705)	(786)	–	(2,491)
At 31 December 2006	88,732	33,945	13,328	–	136,005
Currency realignment	3,882	3,233	1,325	–	8,440
Provided for the year	16,837	11,451	4,028	–	32,316
Disposal	(2,279)	(2,056)	(4,722)	–	(9,057)
At 31 December 2007	107,172	46,573	13,959	–	167,704
CARRYING VALUES					
At 31 December 2007	493,754	67,930	13,264	2,586,692	3,161,640
At 31 December 2006	475,670	56,714	7,705	277,742	817,831

Buildings are located in the Chinese Mainland and are held under mediumterm leases.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis with the following estimated useful lives:

Buildings	40 years or over the unexpired term of lease, whichever is shorter
Furniture and equipment	5 years
Motor vehicles	5 years

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments are situated in the Chinese Mainland and held under medium-term leases. The prepaid lease payments are amortised over 50 years.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2006	6,967,634
Currency realignment	66,717
Additions	20,267
Transferred from inventory of properties *(Note)*	62,230
Increase in fair value recognised in consolidated income statement	502,552
At 31 December 2006	7,619,400
Currency realignment	548,457
Increase in fair value recognised in consolidated income statement	799,955
At 31 December 2007	8,967,812

Note: Amount in prior year included an increase in fair value of certain inventory of properties upon the transfer to investment properties of approximately HK$25,999,000.

The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by CB Richard Ellis Limited, independent qualified professional valuers not connected with the Group. CB Richard Ellis Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests in leasehold land and building 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 has pledged investment properties of approximately HK$2,883,060,000 at 31 December 2007 (2006: HK$2,473,000,000) to secure general banking facilities granted to the Group (see note 31).

The investment properties are located in the PRC under medium-term lease.

19. INTERESTS IN ASSOCIATES

	2007	**2006**
	HK$'000	*HK$'000*
Cost of unlisted investments in associates	70,294	65,831
Share of post-acquisition profits, net of dividend received	523,306	423,563
	593,600	489,394

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

	2007 *HK$'000*	2006 *HK$'000*
Total assets	2,067,574	1,847,449
Total liabilities	(880,025)	(868,334)
Net assets	1,187,549	979,115
Group's share of net assets of associates	593,600	489,394
Revenue	136,896	118,677
Profit for the year	132,114	24,011
Group's share of results of associates for the year	67,715	11,874

Particulars of the Group's associates are set out in note 41(c).

20. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and does not have fixed terms of repayment. In the opinion of the directors of the Company, the amount will not be repayable in the next twelve months, and accordingly, it is shown as non-current.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2007 *HK$'000*	2006 *HK$'000*
Available-for-sale investments comprise:		
Unlisted equity securities in the Chinese Mainland, at cost	369,908	371,908
Currency realignment	(7,731)	(8,646)
Less: Impairment losses	(165,957)	(165,957)
	196,220	197,305

The above were stated at cost less impairment at each balance sheet date since the equity investments do not have a quoted market price in an active market and the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be reliably measured.

In prior year, the directors have reviewed the recoverable amount of the Group's available-for-sale investments in a property development company in Beijing with reference to the current market conditions. The Group held a 19.6% minority stake in the company as long term investment. Operating environment of the company has deteriorated in 2006 and the company was facing liquidity or potential dissolution issue. Therefore, the Group has recognised full impairment loss of HK$158,658,000 in the consolidated income statement to fully provide for such long term investment.

The Group's remaining available-for-sale investments represents certain unlisted equity securities in a property investment company incorporated in Beijing. The directors of the Company have performed an impairment assessment on the investment and are of the opinion that no provision for impairment loss is required as at 31 December 2007.

22. DEFERRED TAXATION ASSET (LIABILITIES)

The followings are the major deferred taxation assets (liabilities) recognised and movements thereon during the current and prior years.

	Investment properties *HK$'000*	Allowance doubtful debts *HK$'000*	Land appreciation tax *HK$'000*	Other for temporary differences *(Note)* *HK$'000*	Total *HK$'000*
At 1 January 2006	(507,942)	206,284	–	42,579	(259,079)
Currency realignment	(23,369)	11,289	–	842	(11,238)
(Charge) credit to consolidated income statement for the year	(134,978)	–	54,752	53,657	(26,569)
At 31 December 2006	(666,289)	217,573	54,752	97,078	(296,886)
Currency realignment	(67,394)	9,791	6,910	7,380	(43,313)
Acquisition of subsidiaries	–	1,308	–	(28)	1,280
(Charge) credit to consolidated income statement for the year	(256,858)	7,097	64,241	–	(185,520)
Effect of changes in tax rate	(286,398)	(53,438)	(13,909)	(24,581)	(378,326)
At 31 December 2007	(1,276,939)	182,331	111,994	79,849	(902,765)

Note: Other temporary differences mainly represent the deductible temporary differences arising from the write down of inventory of properties and impairment loss of available-for-sale investments.

Analysis of the deferred taxation balances at the balance sheet date is as follows:

	2007 *HK$'000*	2006 *HK$'000*
Deferred taxation assets	374,174	369,403
Deferred taxation liabilities	(1,276,939)	(666,289)
	(902,765)	(296,886)

No deferred taxation assets has been recognised in respect of estimated tax losses of HK$180,491,000 (2006: HK$308,198,000) as, in the opinion of the directors of the Company, the future profit streams of these subsidiaries are uncertain. The tax loss could be carried forward for a maximum of five years.

23. INVENTORY OF PROPERTIES

	2007 *HK$'000*	2006 *HK$'000*
Properties under development	20,160,446	7,656,914
Properties held for sale	1,792,780	1,515,004
	21,953,226	9,171,918

The inventory of properties was located in the Chinese Mainland under mediumterm lease. Inventory of properties which are expected to be recovered in more than twelve months after the balance sheet date are classified under current asset as it is expected to be realised in the Group's normal operating cycle.

24. OTHER INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials	1,661	1,068
Consumables and others	11,073	11,070
	12,734	12,138

25. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS PAID

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	641,084	574,973
Less: Accumulated impairments	(328,696)	(308,913)
	312,388	266,060
Deposits paid for acquisition of land use rights	5,509,152	3,286,710
Other receivables, prepayments and other deposits	1,203,826	1,049,228
Less: Accumulated impairments of other receivables	(258,442)	(213,301)
	6,766,924	4,388,697

Due to the nature of business of the Group, the Group generally grants no credit period to property buyers.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$312,388,000 (2006: HK$266,060,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group has retained the ownership of the property sold to the property buyer for overdue debtor balances. Since no credit terms is generally granted to property buyers, the aged analysis of trade receivables net of impairment presented below should be the same as the ageing of trade receivables past due but not impaired.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$328,696,000 (2006: HK$308,913,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances. No movement in the allowance for doubtful debts in the current year. The following is an aged analysis of trade receivables net of impairments at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Within one year	195,848	135,304
Over one year	116,540	130,756
	312,388	266,060

Movement in the accumulated impairments for:

	2007	2006
	HK$'000	*HK$'000*
Trade receivables		
Balance at beginning of the year	308,913	296,866
Exchange realignment	19,783	12,047
Balance at the end of the year	328,696	308,913

Movement in the accumulated impairments for:

	2007	2006
	HK$'000	*HK$'000*
Other receivables		
Balance at beginning of the year	213,301	204,982
Impairment losses recognised on other receivable	28,387	–
Exchange realignment	16,754	8,319
Balance at the end of the year	258,442	213,301

26. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2007	2006
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date		
Contract costs incurred plus recognised profits less recognised losses	2,833,692	–
Less: progress billings	(2,767,156)	–
	66,536	–
Analysed for reporting purposes as:		
Amounts due from contract customers	190,784	–
Amounts due to contract customers	(124,248)	–
	66,536	–

At 31 December 2007, retentions held by customers for contract works amounted to HK$16,815,000 (2006: Nil). Advances received from customers for contract work amounted to HK$21,128,000 (2006: Nil).

27. AMOUNTS DUE FROM FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY

The amounts are unsecured, trade in nature and recoverable within 12 months after the balance sheet date.

28. CASH AND BANK BALANCES

Cash and bank balances comprise short-term bank deposits carry interest at market rates which range from 0.72% to 3.33% (2006: 2.5% to 2.95%) per annum.

Included in cash and bank balances, there is a total balance amounting to RMB3,652,077,000 (equivalent to HK$3,899,689,000) (2006: RMB2,312,470,000 (equivalent to HK$2,312,470,000)) accumulated in RMB which is not a freely convertible currency.

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

	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong dollars	592,546	1,021,941
Renminbi	3,899,689	2,312,470
United States Dollars	20,511	23,217
Others	4,055	–
	4,516,801	3,357,628

29. TRADE AND OTHER PAYABLES

	2007	**2006**
	HK$'000	*HK$'000*
Trade payables	1,199,422	902,371
Other payables and accrued charges	897,254	836,124
	2,096,676	1,738,495

The following is an aged analysis of trade payables at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	501,789	475,236
Over one year	697,633	427,135
	1,199,422	902,371

30. AMOUNTS DUE TO FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY/A MINORITY SHAREHOLDER

The amounts due to fellow subsidiaries and a minority shareholder are unsecured and trade in nature.

The amount due to immediate holding company representing the consideration payable for the acquisition of Cosmart Enterprise Limited ("Cosmart") (see note 34) which was interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.5% per annum. The whole amount was repaid during the year.

31. BANK BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Secured	2,338,782	1,250,000
Unsecured	13,095,166	8,341,569
	15,433,948	9,591,569
Carrying amount repayable:		
On demand or within one year	2,712,212	3,434,031
More than one year but not exceeding two years	3,167,660	1,370,000
More than two years but not more than five years	9,307,147	4,787,538
More than five years	246,929	–
	15,433,948	9,591,569
Less: Amounts due within one year shown under current liabilities	(2,712,212)	(3,434,031)
	12,721,736	6,157,538

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong dollars	8,236,676	4,485,000

Amount included fixed-rate bank borrowings of HK$7,197,272,000 (2006: HK$5,106,569,000) which carry interest at average fixed rate of 6.1% per annum (2006: 5.6% per annum) and variable-rate borrowings of HK$8,236,676,000 (2006: HK$4,485,000,000) which carried effective interest at 3.78% (2006: 4.38%) per annum and contractual interest at HIBOR plus 0.34% (2006: HIBOR plus 0.34%) per annum. The borrowings are repayable by instalments or in a lump sum upon maturity in accordance with the terms set out in the respective loan agreements.

Included in the borrowings of the Group above are unsecured loans amounting to HK$64,068,000 (2006: HK$1,063,971,000) and HK$60,000,000 (2006: HK$nil), which were guaranteed by CRNC and CRH respectively. Also, in respect of bank borrowings of the Group amounting to HK$7,327,500,000 (2006: HK$1,400,000,000) in accordance with the terms of the respective loan agreements, CRH is required to hold not less than 35% of the issued share capital of the Company at any time during the period of the loans.

32. SHARE CAPITAL

	Number of shares		Share capital	
	2007	**2006**	**2007**	**2006**
			HK$'000	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At the beginning of the year and at the end of the year	5,000,000,000	5,000,000,000	500,000	500,000
Issued and fully paid				
At the beginning of the year	3,322,815,409	2,773,670,691	332,281	277,367
Placement of new shares *(Note a)*	400,000,000	300,000,000	40,000	30,000
Exercise of share options *(Note b) (see note 33)*	33,295,000	63,040,500	3,330	6,304
Issued in consideration for the acquisition of subsidiaries *(Note c)*	269,090,909	186,104,218	26,909	18,610
At the end of the year	4,025,201,318	3,322,815,409	402,520	332,281

Notes:

(a) On 8 May 2007, the Company issued and allotted 400,000,000 ordinary shares of HK$0.1 each for consideration of HK$9.81 per share to finance the Group's working capital. The new ordinary shares rank pari passu with the existing shares in all aspect.

(b) During the year, the Company issued 33,295,000 ordinary shares of HK$0.1 each upon exercise of share options. The exercise price of the share options during the period ranges from HK$0.96 to HK$4.59 per share. The new ordinary shares rank pari passu with the existing shares in all aspect.

(c) On 28 December 2007, 269,090,909 ordinary shares of HK$0.1 each (Note 34) were issued for the acquisition of Speedy Gain Investments Limited ("Speedy Gain").

33. SHARE OPTION SCHEMES

The Company operates share option schemes for the purpose of promoting additional commitment and dedication to the objectives of the Company by participants, namely the "Old Scheme" and the "New Scheme".

The Old Scheme refers to the share option scheme adopted by the Company pursuant to a board resolution passed on 20 July 2000, which subsisted until 31 January 2002. On 31 January 2002, the shareholders of the Company approved the termination (to the effect that no further options shall be offered) of the Old Scheme. Eligible participants of the Old Scheme were the employees of the Company and the subsidiaries (including directors of the Company). The exercise price of the share option under the Old Scheme is determined by the directors of the Company. The exercise price will not exceed the maximum discount permitted by the Listing Rules applicable prior to 1 September 2001 and not less than the nominal value of the Company's shares. The maximum number of shares issued and permitted to be issued on the exercise of options under the Old Scheme and to be granted to each participant does not exceed the maximum limit as permitted by the Listing Rules applicable before 1 September 2001.

The New Scheme refers to the share option scheme adopted by the Company which was approved by the shareholders in general meeting on 31 January 2002. The board of directors may grant options to eligible participants, including executive or non-executive directors of the Company, any discretionary object of a discretionary trust established by any employee, executive or non-executive directors of the Company, any executives and employees of consultants, professional and other advisors to the Group, chief executive, substantial shareholder of the Company, associate companies of the Group, associates of directors, chief executive and substantial shareholder of the Company, and employees of substantial shareholder. The exercise price of the share option under the New Scheme is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, and the nominal value of the share. The total number of shares that may be issued upon the exercise of all options granted and yet to be exercised under the New Scheme and the maximum number of shares that may be issued upon exercise of all options to be granted thereunder and the maximum entitlement of each participant under the New Scheme is respectively, equivalent to the maximum limit permitted under the prevailing Listing Rules.

The offer of a grant of share options under both schemes may be accepted within 28 days from the date of the offer together with the payment of HK$1 in total by the grantee. The vesting and exercise period of the share options granted is determinable at the entire discretion of the board of directors with the vesting period not exceeding four years and the exercise period will not exceed a period of ten years immediately after acceptance of grant. Options are lapsed if the employee leaves the Group before the options vest. At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme and the New Scheme were nil and 50,372,500 (2006: 13,708,000 and 77,534,000) shares, representing 0% and 1.25% (2006: 0.41% and 2.33%), respectively, to the shares of the Company in issue at that date.

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

	Date of grant	Exercise price per share *HK$*	Exercisable period	Number of share options: Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007
Old Scheme	27/06/1997	4.592	27/06/1997 to 27/05/2007	11,718,000	–	(5,793,000)	(5,925,000)	–
	20/07/2000	0.990	20/07/2000 to 27/05/2007	1,990,000	–	(340,000)	(1,650,000)	–
				13,708,000	–	(6,133,000)	(7,575,000)	–
New Scheme	04/03/2002	1.590	04/03/2002 to 03/03/2012	10,710,000	–	(5,720,000)	–	4,990,000
	15/04/2002	1.610	15/04/2002 to 14/04/2012	960,000	–	(960,000)	–	–
	07/10/2002	0.960	07/10/2002 to 06/10/2012	1,350,000	–	(150,000)	–	1,200,000
	28/04/2004	1.040	28/04/2004 to 27/04/2014	10,204,500	–	(6,909,500)	–	3,295,000
	29/04/2005	1.420	29/04/2005 to 28/04/2015	7,110,000	–	(1,297,500)	–	5,812,500
	01/06/2005	1.230	01/06/2005 to 31/05/2015	9,600,000	–	(4,600,000)	–	5,000,000
	02/06/2005	1.270	02/06/2005 to 01/06/2015	500,000	–	(250,000)	–	250,000
	27/06/2005	1.340	27/06/2005 to 26/06/2015	600,000	–	(200,000)	–	400,000
	03/01/2006	3.225	03/01/2006 to 02/01/2016	30,700,000	–	(6,000,000)	–	24,700,000
	17/02/2006	3.965	17/02/2006 to 16/02/2016	2,000,000	–	(125,000)	–	1,875,000
	26/06/2006	3.580	26/06/2006 to 25/06/2016	3,800,000	–	(950,000)	–	2,850,000
				77,534,500	–	(27,162,000)	–	50,372,500
				91,242,500	–	(33,295,000)	(7,575,000)	50,372,500
Exercisable at the end of the year								7,382,500
Weighted average exercise price				2.52	–	2.29	3.81	2.48

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1.1.2006	Number of share options Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2006
Old Scheme	27/06/1997	4.592	27/06/1997 to 27/05/2007	16,075,000	–	(4,357,000)	–	11,718,000
	20/07/2000	0.990	20/07/2000 to 27/05/2007	7,690,000	–	(5,700,000)	–	1,990,000
				23,765,000	–	(10,057,000)	–	13,708,000
New Scheme	01/03/2002	1.610	01/03/2002 to 28/02/2012	12,200,000	–	(12,200,000)	–	–
	04/03/2002	1.590	04/03/2002 to 03/03/2012	25,730,000	–	(15,020,000)	–	10,710,000
	15/04/2002	1.610	15/04/2002 to 15/04/2012	3,500,000	–	(2,540,000)	–	960,000
	07/10/2002	0.960	07/10/2002 to 06/10/2012	4,748,000	–	(3,398,000)	–	1,350,000
	28/04/2004	1.040	28/04/2004 to 27/04/2014	26,810,000	–	(16,605,500)	–	10,204,500
	29/04/2005	1.420	29/04/2005 to 28/04/2015	8,030,000	–	(920,000)	–	7,110,000
	01/06/2005	1.230	01/06/2005 to 31/05/2015	11,000,000	–	(1,400,000)	–	9,600,000
	02/06/2005	1.270	02/06/2005 to 01/06/2015	1,200,000	–	(700,000)	–	500,000
	27/06/2005	1.340	27/06/2005 to 26/06/2015	800,000	–	(200,000)	–	600,000
	03/01/2006	3.225	03/01/2006 to 02/01/2016	–	30,700,000	–	–	30,700,000
	17/02/2006	3.965	17/02/2006 to 16/02/2016	–	2,000,000	–	–	2,000,000
	26/06/2006	3.580	26/06/2006 to 25/06/2016	–	3,800,000	–	–	3,800,000
				94,018,000	36,500,000	(52,983,500)	–	77,534,500
				117,783,000	36,500,000	(63,040,500)	–	91,242,500
Exercisable at the end of the year								39,297,500
Weighted average exercise price				1.76	3.30	1.55	–	2.52

Note:

1. Options are lapsed if the employee leaves the Group before the options vest.

Details of the movements of the share options during the year held by the directors of the Company included in the above table are as follows:

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year	Reallocation *(Note 1)*	Outstanding at 31.12.2007
				Number of share options					
New Scheme	04/03/2002	1.590	04/02/2002 to 28/02/2012	–	–	(540,000)	–	540,000	–
	01/06/2005	1.230	01/06/2005 to 31/05/2005	1,900,000	–	(750,000)	(500,000)	1,000,000	1,650,000
				1,900,000	–	(1,290,000)	(500,000)	1,540,000	1,650,000

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Lapsed during the year	Reallocation *(Note 1)*	Outstanding at 31.12.2006
				Number of share options					
Old Scheme	27/06/1997	4.592	27/06/1997 to 27/05/2007	4,300,000	–	(2,300,000)	–	(2,000,000)	–
	20/07/2000	0.990	20/07/2000 to 27/05/2007	5,700,000	–	(2,400,000)	–	(3,300,000)	–
				10,000,000	–	(4,700,000)	–	(5,300,000)	–
Exercisable at the end of the year									–
Weighted average exercise price				1.23	–	1.38	1.23	1.36	1.23
New Scheme	01/03/2002	1.610	01/03/2002 to 28/02/2012	8,400,000	–	(4,800,000)	–	(3,600,000)	–
	04/03/2002	1.590	04/02/2002 to 28/02/2012	120,000	–	(1,420,000)	–	1,300,000	–
	15/04/2002	1.610	15/04/2002 to 28/02/2012	1,600,000	–	–	–	(1,600,000)	–
	28/04/2004	1.040	28/04/2004 to 27/04/2014	11,500,000	–	(3,500,000)	–	(8,000,000)	–
	01/06/2005	1.230	01/06/2005 to 31/05/2015	–	–	(700,000)	–	2,600,000	1,900,000
	02/06/2005	1.270	02/06/2005 to 01/06/2015	1,200,000	–	(700,000)	–	(500,000)	–
				22,820,000	–	(11,120,000)	–	(9,800,000)	1,900,000
				32,820,000	–	(15,820,000)	–	(15,100,000)	1,900,000
Exercisable at the end of the year									1,900,000
Weighted average exercise price				1.68	–	1.79	–	1.62	1.23

Note:

1. The reallocation of options arose when the option holders changed their positions in the Company from employees to directors or vice versa during the year. The options were granted to them in previous years.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$10.97 (2006: HK$4.59).

During the year ended 31 December 2006, options were granted on 3 January 2006, 17 February 2006 and 26 June 2006. The estimated fair values of the options granted were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	3.1.2006	**17.2.2006**	**26.6.2006**
Weighted average share price	HK$3.23	HK$3.93	HK$3.53
Exercise price	HK$3.23	HK$3.97	HK$3.58
Expected life	7 years	7 years	7 years
Risk-free rate	4.105%	4.25%	4.806%
Expected dividend yield	1.86%	1.529%	1.702%
Fair values of option at grant date	HK$1.72	HK$2.15	HK$1.87
Closing share price immediately before date of grant	HK$3.22	HK$4.00	HK$3.48

Note: Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

All options were under the graded vesting period between one to four years.

The expected volatility measured at the standard derivation of expected share price returns of 40% is used, which is based on average of 260 day historical volatility. 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 behavioural considerations.

The Group recognised the total expense of approximately HK$14,176,000 for the year ended 31 December 2007 (2006: HK$29,352,000) in relation to share options granted by the Company.

34. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2007

(i) On 30 July 2007, the Group acquired 100% of the issued share capital of Toprun Investments Limited ("Toprun") from its immediate holding company for a cash consideration of HK$170,000,000. This acquisition has been accounted for using the purchase method. The major activities of Toprun and its subsidiaries are the decoration and construction business in Hong Kong and the PRC. The amount of goodwill arising as a result of this acquisition was HK$50,423,000. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquirees' carrying amount and fair value before combination
	HK$'000
Net assets acquired:	
Property, plant and equipment	5,278
Deferred taxation asset	1,280
Other inventories	43
Trade receivables, other receivables and deposits paid	152,884
Amounts due from customers for contract works	74,881
Tax prepaid	86
Cash and bank balances	83,260
Trade and other payables	(122,905)
Amounts due to customers for contract works	(36,822)
Amounts due to related companies	(408)
Bank borrowings	(38,000)
Net assets acquired	119,577
Goodwill arising on acquisition	50,423
Satisfied by:	
Cash consideration	170,000
Net cash (outflow) inflow arising on acquisition:	
Cash consideration	(170,000)
Cash and bank balances acquired	83,260
	(86,740)

In the opinion of the directors, the goodwill arising from the acquisition represents the synergy in areas such as resources sharing, cost control and quality assurance of its projects.

If the acquisition had been completed on 1 January 2007, total consolidated revenue for the year would have been increased by HK$353 million, and profit for the year would have been increased by HK$19 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results. The turnover and profit contributed by the subsidiaries acquired to the Group from the acquisition date was HK$361 million and HK$14 million respectively.

(ii) On 19 September 2007, the Group acquired 100% of the issued share capital of 重慶天拓置業發展有限公司 ("重慶天拓") for a total consideration of RMB462,859,000. The major activity of 重慶天拓 is property development in Chongqing, PRC, and accordingly, the transaction has been accounted for as the acquisition of assets.

	HK$'000
Net assets acquired:	
Property, plant and equipment	698
Other inventories	58
Progress payments for the purchase of land use rights	714,805
Cash and bank balances	2,877
Trade and other payables	(243,128)
Net assets acquired	475,310
Satisfied by:	
Cash consideration	321,275
Deferred consideration (included in trade and other payables)	154,035
	475,310
Net cash (outflow) inflow arising on acquisition:	
Cash consideration paid	(321,275)
Cash and bank balances acquired	2,877
	(318,398)

(iii) On 28 December 2007, the Group acquired 100% of the issued share capital of Speedy Gain from its immediate holding company by issuing a total of 269,090,909 shares of the Company to be allotted and issued to the vendor. The major activities of Speedy Gain and its subsidiaries are property development in Hangzhou, Wuxi and Dalian, PRC, and accordingly, the transaction has been accounted for as the acquisition of assets.

A wholly owned subsidiary of Speedy Gain, Fortune Achieve Investments Limited, holds 100% direct interest in China Resources (Dalian) Real Estate Co., Ltd ("Dalian"). Dalian is a wholly owned foreign enterprise ("WOFE") incorporated in the Chinese Mainland and engaged in the property development activities. The main tangible asset of the Company is a property development site in Dalian, the Chinese Mainland.

Another wholly owned subsidiary of Speedy Gain, Vikwood Investments Limited, holds 60% indirect interest in China Resources Sun Hung Kai Properties (Hangzhou) Co., Ltd ("Hangzhou"). Hangzhou is a WOFE incorporated in the Chinese Mainland and engaged in the property development activities. The main tangible asset of the Company is a property development site in Hangzhou, the Chinese Mainland.

Another wholly owned subsidiary of Speedy Gain, Complete Power Holdings Limited, holds 60% indirect interest in China Resources Sun Hung Kai Properties (Wuxi) Limited ("Wuxi"). Wuxi is a WOFE incorporated in the Chinese Mainland and engaged in the property development activities. The main tangible asset of the Company is a property development site in Wuxi, the Chinese Mainland.

	HK$'000
Net assets acquired:	
Property, plant and equipment	1,994,813
Prepaid lease payments	324,785
Inventories of properties *(note (a))*	4,536,347
Trade and other receivables and deposits paid	8,260
Cash and bank balances	384,579
Trade and other payables	(71,622)
Deposits received from pre-sales of properties	(475,432)
Amount due to a minority shareholder	(503,084)
Amount due to related companies	(100,148)
Bank borrowings	(240,467)
Net assets acquired	5,858,031
Minority interest	(1,329,231)
Net assets acquired	4,528,800
Satisfied by:	
Shares issued *(note (b))*	4,528,800
Net cash inflow arising on acquisition:	
Cash and bank balances acquired	384,579

Notes:

(a) The total fair value of the Group's properties under development for investment purpose (included in property, plant and equipment) and inventories of properties acquired at acquisition date have been arrived at on the basis of a valuation carried out on that date by CB Richard Ellis Limited, independent qualified professional valuers not connected with the Group. CB Richard Ellis Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The total fair value is then allocated to the properties under development for investments purpose and inventories of properties based on the gross floor areas of the respective portion.

(b) As the consideration for the acquisition of Speedy Gain, 269,090,909 ordinary shares of the Company with par value of HK$0.1 each were issued (note 32). The fair value of the assets acquired by the Company are determined with reference to the market evidence of transaction prices for similar properties at the date of the acquisition.

For the year ended 31 December 2006

On 21 December 2006, the Group acquired 100% of the issued share capital of Cosmart from its immediate holding company for consideration of HK$3,105,680,000.

A wholly owned subsidiary of Cosmart, Charmlink Enterprises Limited, holds 49% interest in Beijing China Resources Xin Zhen Property Co., Ltd. ("Xin Zhen"). Xin Zhen was a non-wholly owned subsidiary of the Group. As a result of the acquisition, the Group's effective interest in Xin Zhen increased from 46.9% to 95.9%.

Another wholly owned subsidiary of Cosmart, Kennex Enterprises Limited, holds 100% interest in China Resources Land (Chengdu) Development Company Limited ("Chengdu Development"). Chengdu Development is a company established in the Chinese Mainland and engaged in the property development activities. The main tangible asset of the Company is a property development site in Chengdu, the Chinese Mainland.

	Carrying amount and fair value *HK$'000*
Net assets acquired:	
Interest in associate	487,967
Inventory of properties	2,271,045
	2,759,012
Satisfied by:	
Shares issued *(Note)*	1,224,052
Cash consideration	306,660
Deferred considerations (included in amount due to immediate holding company)	1,228,300
	2,759,012

Note: As part of the consideration for the acquisition of Cosmart, 186,104,218 ordinary shares of the Company with par value of HK$0.1 each were issued (note 32). The fair value of the assets acquired by the Company, determined with reference to the market evidence of transaction prices for similar properties at the date of the acquisition.

35. MAJOR NON-CASH TRANSACTIONS

Part of the considerations for the purchases of subsidiaries that occurred during the year comprised issuance of shares of the Company. Further details of the acquisition are set out in note 34.

36. CONTINGENT LIABILITIES

Guarantees are given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration the relevant mortgage properties registration. In the opinion of directors, the fair value of the financial guarantee contracts is not significant.

37. COMMITMENTS

	2007 *HK$'000*	**2006** *HK$'000*
Capital expenditure in respect of the acquisition of construction in progress:		
Contracted for but not provided in the consolidated financial statements	887,856	55,866
Other commitment in respect of the acquisition of land use rights	6,450,221	2,759,880

38. OPERATING LEASE COMMITMENT

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of office premises was HK$3,965,000 (2006: HK$2,582,000).

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

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	6,926	2,081
In the second to fifth year inclusive	9,134	2,667
Over five years	3,519	–
	19,579	4,748

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of one year to five years and rentals are fixed for an average of two years.

The Group as lessor

Property rental income earned during the year was HK$738,957,000 (2006: HK$587,087,000). Included above, there was contingent rental income of HK$64,511,000 (2006: HK$9,973,000). The contingent rental for certain properties was determined by a certain percentage of turnover. The properties held by the Group for rental purpose have committed tenants for periods which ranged from one to seven years.

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

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	507,508	426,558
In the second to fifth year inclusive	698,860	840,508
After five years	347,270	284,993
	1,553,638	1,552,059

39. RETIREMENT BENEFIT PLANS

(a) Hong Kong

The Group participates in a mandatory provident fund scheme ("MPF Scheme") for its employees in Hong Kong. MPF scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF scheme, the employer and its employees are required to contribute 5% of the employees' salaries, up to a maximum of HK$1,000 per employee per month. The assets of MPF Scheme are held separately from those of the group companies in an independently administered fund.

During the year, the total amounts contributed by the Group to the scheme in Hong Kong and charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Amount contributed and charged to the consolidated income statement	909	100

(b) Chinese Mainland

The employees of the Group in the Chinese Mainland are members of state-managed retirement benefit schemes operated by the respective local government in the Chinese Mainland. The Group is required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The total cost charged to the consolidated income statement in respect of the above-mentioned schemes in the Chinese Mainland during each of the years are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Amount contributed and charged to the consolidated income statement	23,392	12,840

40. RELATED PARTY TRANSACTIONS

(i) Transactions with fellow subsidiaries/holding companies

The following is a summary of the significant related party transactions entered into by the Group with its fellow subsidiaries during the year:

		Rental and management fees received		**Construction cost received**	
		2007	**2006**	**2007**	**2006**
	Relationship	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
China Resources (Holdings) Limited	Holding company	3,449	7,013	–	–
China Resources Construction Corporation	Fellow subsidiary	–	–	172,237	161,495
China Resources Management Limited	Fellow subsidiary	–	513	–	–
China Resources Power Holdings Company Limited	Fellow Subsidiary	3,895	3,813	–	–
China Resources Textiles Holdings Limited	Fellow Subsidiary	3,391	3,267	–	–
China Resources Vanguard Company Limited	Fellow Subsidiary	6,709	2,851	–	–
Shenzhen Kapok Hotel	Fellow Subsidiary	5,606	5,808	–	–
China Resources Breweries Limited	Fellow Subsidiary	3,522	2,365	–	–

During the year ended 31 December 2007, the Group has acquired certain subsidiaries from its immediate holding company, Toprun Investments Limited and Speedy Gain Investments Limited through cash payments and issue of shares respectively as consideration. As a result of the acquisitions, the Group has acquired the construction and decoration businesses and obtained the property interest of pieces of land in Wuxi, Hangzhou and Dalian, the Chinese Mainland (see note 34).

During the year ended 31 December 2006, the Group also acquired subsidiaries from its immediate holding company, Cosmart Resources Limited through issue of shares and cash payments as consideration. As a result of the acquisition, the Group has obtained additional interest in Beijing China Resources Xin Zhen Property Co., Ltd. and the property interest of a piece of land in Chengdu, the Chinese Mainland (see note 34).

(ii) Compensation of key management personnel

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

	2007	**2006**
	HK$'000	*HK$'000*
Short-term benefits	7,150	8,108
Post-employment benefits	335	244
Share-based payments	835	4,876
	8,320	13,228

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

(iii) Transactions/balances with other state-controlled entities in the Chinese Mainland

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 CRNC which is controlled by the PRC government.

Apart from the disclosure in (i) above, the Group also conducts business with other state-controlled entities. The directors consider those statecontrolled entities are independent third parties so far as the Group's business transactions with them are concerned.

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

(b) The Group has sales and purchases transactions with customers and suppliers, in which the directors of the Company are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

41. SUBSIDIARIES AND ASSOCIATES

(a) Particulars of the Company's principal subsidiaries as at 31 December 2007 and 2006 are set out as follows:

Name of subsidiary	Nominal value of issued share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by				Principal activities
		Company 2007	Subsidiaries 2007	Company 2006	Subsidiaries 2006	
Strong Foundation Developments Limited ("Strong Foundation")	US$76,000	100%	–	100%	–	Investment holding
Boom Go Group Limited ("Boom Go")	US$11	100%	–	100%	–	Investment holding
Best Hope Group Limited ("Best Hope")	US$1	–	100%	–	100%	Investment holding
Big Leap Group Limited ("Big Leap")	US$1	–	100%	–	100%	Investment holding
Direct Win Group Limited ("Direct Win")	US$1	–	100%	–	100%	Investment holding
Bright Choice Group Limited ("Bright Choice")	US$1	–	100%	–	100%	Investment holding
King Role Limited ("King Role")	US$3	100%	–	100%	–	Investment holding
Cosmart Resources Limited ("Cosmart")	US$2	–	100%	–	100%	Investment holding
Kennex Enterprises Limited ("Kennex")	US$1	–	100%	–	100%	Investment holding
Charmlink Enterprises Limited ("Charmlink")	US$1	–	100%	–	100%	Investment holding
Megapower Resources Limited ("Megapower")	US$1	–	100%	–	100%	Investment holding

Name of subsidiary	Nominal value of issued share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by 2007 Company	2007 Subsidiaries	2006 Company	2006 Subsidiaries	Principal activities
Beijing China Resources Building Company Limited *(note d)*	US$12,000,000	–	100%	–	100%	Properties investment
Beijing China Resources Property Management Company Limited *(note d)*	US$370,000	–	100%	–	100%	Property management
China Resources Land (Beijing) Co., Ltd. *(note a)*	RMB1,300,000,000	–	95.62%	–	91.96%	Investment holding and property development
China Resources Land (Beijing) Property Management Co., Ltd. *(note b)*	RMB5,000,000	–	95.62%	–	91.96%	Property management
Beijing China Resources Jingtong Property Development Company Limited *(note b)*	RMB264,329,360	–	95.62%	–	91.96%	Property development
Beijing China Resources Shuguang Real Estate Development Co., Ltd. *(note b)*	RMB180,000,000	–	95.62%	–	91.96%	Property development
Beijing China Resources Jian Xiang Real Estate Development Co., Ltd. *(note b)*	US$10,000,000	–	95.62%	–	91.96%	Property development
Beijing Huazhao Electrical Equipment Co., Ltd. *(note b)*	RMB2,000,000	–	95.62%	–	91.96%	Electrical engineering
Beijing China Resources Property Agent Co., Ltd. *(note b)*	RMB500,000	–	95.62%	–	91.96%	Property agency
Beijing China Resources Xin Zhen Property Co., Ltd. *(note b)*	RMB1,000,000,000	–	95.62%	–	91.96%	Property development
Beijing Zhongchengxin Property Development Co., Ltd. *(note c)*	RMB28,000,000	–	76.50%	–	73.57%	Property development
China Resources Shanghai Company Limited *(note d)*	US$40,000,000	–	100%	–	100%	Properties investment
China Resources Land (Shanghai) Limited *(note d)*	US$21,000,000	–	100%	–	100%	Property development
China Resources Land (Shanghai) Management Co., Ltd. *(note d)*	US$150,000	–	100%	–	100%	Property management
China Resources (Shenzhen) Company Limited *(note d)*	HK$400,000,000	–	100%	–	100%	Properties investment
Shenzhen China Resources Property Management Company Limited *(note d)*	RMB5,000,000	–	100%	–	100%	Property management
華潤置地(成都)發展有限公司 (“成都發展”) *(note d)*	HK$756,000,000	–	100%	–	100%	Property development

Name of subsidiary	Nominal value of issued share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by Company 2007	Subsidiaries 2007	Company 2006	Subsidiaries 2006	Principal activities
華潤置地(成都)發展有限公司 (“成都實業”) *(note d)*	US$64,000,000	–	100%	–	100%	Property development
China Resources Land (Chengdu) Limited *(note d)*	US$42,000,000	–	100%	–	100%	Property development
成都華潤置地物業管理有限公司 *(note b)*	RMB1,000,000	–	100%	–	100%	Property management
China Resources Land (Wuhan) Co., Ltd. *(note d)*	HK$62,240,000	–	100%	–	100%	Property development
China Resources Land (Wuhan) Management Co., Ltd. *(note d)*	US$500,000	–	100%	–	100%	Property management
China Resources Land (Hefei) Co., Ltd. *(note d)*	US$9,600,000	–	100%	–	100%	Property development
China Resources Land (Hefei) Management Co., Ltd. *(note d)*	US$100,000	–	100%	–	100%	Property management
China Resources Land (Ningbo) Co., Ltd. *(note d)*	HK$385,000,000	–	100%	–	100%	Property development
China Resources Land (Hunan) Co., Ltd. *(note d)*	HK$240,000,000	–	100%	–	100%	Property development
China Resources Land (Suzhou) Ltd. *(note d)*	US$50,000,000	–	100%	–	–	Property development
China Resources Land (Xiamen) Ltd. *(note d)*	HK$1,454,792,739	–	100%	–	–	Property development
China Resources Land (Xiamen) Developments Ltd. *(note d)*	HK$770,000,000	–	100%	–	–	Property development
重慶天拓發展有限公司 *(note b)*	RMB20,000,000	–	100%	–	–	Property development
China Resources Land (Hunan) Developments Ltd. *(note d)*	HK$700,000,000	–	100%	–	–	Property development
China Resources Land (Heifei) Industrial Ltd. *(note d)*	HK$700,000,000	–	100%	–	–	Property development
China Resources (Dalian) Real Estate development Co., Ltd. *(note d)*	HK$85,000,000	–	100%	–	–	Property
China Resources (Dalian) Realty Co. Ltd. *(note d)*	HK$385,000,000	–	100%	–	–	Property development
China Resources Sun Hung Kai Properties (Hangzhou) Co. Ltd. *(note d)*	HK$490,000,000	–	60%	–	–	Property development
China Resources Sun Hung Kai Properties (Wuxi) Limited *(note d)*	US$71,990,000	–	60%	–	–	Property development
China Resources Sun Hung Kai Properties Management (Wuxi) Limited *(note b)*	US$3,000,000	–	60%	–	–	Property development

Name of subsidiary	Nominal value of issued share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by				Principal activities
		Company 2007	Subsidiaries 2007	Company 2006	Subsidiaries 2006	
Speedy Gain Investments Limited ("Speedy Gain")	US$2	100%	–	–	–	Investment holding
Fortune Achieve Investments Limited ("Fortune Achieve")	US$1	–	100%	–	–	Investment holding
Complete Power Holdings Limited ("Complete Power")	US$1	–	100%	–	–	Investment holding
Brilliant Palace Limited ("Brilliant Palace")	HK$500,000,000	–	60%	–	–	Investment holding
Vikwood Investment Limited ("Vikwood")	US$1	–	100%	–	–	Investment holding
Wellview Investment Limited ("Wellview")	US$100	–	60%	–	–	Investment holding
Toprun Investments Limited ("Toprun")	US$2	100%	–	–	–	Investment holding
Upper Able Investments Limited ("Upper Able")	US$2	–	100%	–	–	Investment holding
Uconia Limited *(note (e))*	HK$10,000	–	100%	–	–	Decoration service
Shanghai Uconia Building Decoration Co., Ltd. *(note d)*	US$2,000,000	–	100%	–	–	Decoration service
Beijing Uconia Decoration Engineering Co., Ltd. *(note d)*	US$2,000,000	–	100%	–	–	Decoration service
深圳市優高雅建築裝飾有限公司 *(note b)*	RMB500,000	–	100%	–	–	Decoration service
China Resources Construction Corporation *(note b)*	RMB50,000,000	–	100%	–	–	Construction

Notes:

(a) The subsidiary is a joint stock limited company established in the Chinese Mainland.

(b) The subsidiary is a domestic wholly owned enterprise established in the Chinese Mainland.

(c) The subsidiary is an equity joint venture established in the Chinese Mainland.

(d) The subsidiary is a wholly foreign owned enterprise established in the Chinese Mainland.

(e) The subsidiary is incorporated and has major operations in Hong Kong.

(b) 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 of the Company, result in particulars of excessive length.

All the subsidiaries listed above are established and operating in the Chinese Mainland except for Strong Foundation, Boom Go, Best Hope, Big Leap, Direct Win, Bright Choice, King Role, Cosmart, Kennex, Charmlink, Megapower, Speedy Gain, Fortune Achieve, Complete Power, Brilliant Palace, Vikwood, Wellview, Toprun and Upper Able which are registered in the British Virgin Islands and their place of operation is in Hong Kong.

No debt securities have been issued by the subsidiaries.

(c) Particulars of the Group's associates as at 31 December 2007 are set out as follows:

Name of associate	Nominal value of issued share capital/ registered capital	Attributable interest held by the Group	Principal activities
Beijing Huazhongyuan Property Development Co., Ltd. *(note a)*	US$11,000,000	47.81%	Property investment and management
Beijing Hua Wei Center Co., Ltd. *(note b)*	US$12,920,000	47.81%	Property investment and management
Beijing Hua Jiade Decoration Engineering Company Limited *(note a)*	US$350,000	35.86%	Provision of exterior decoration services

Notes:

(a) The associate is a domestic enterprise established in the Chinese Mainland.

(b) The associate is a Sino-foreign equity joint venture established in the Chinese Mainland.

All the associates are established and operating in the Chinese Mainland.

42. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 31, bank balances and cash, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

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

The Group's overall strategy remains unchanged from prior year.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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	2007	2006
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	6,019,854	4,704,685
Available-for-sale financial assets	196,220	197,305
	6,216,074	4,901,990
Financial liabilities		
Amortised cost	(18,034,133)	(12,643,870)

(b) Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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

The Board of Directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk) credit risk and liquidity risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

Market risk

Foreign currency risk management

The Group conducts its treasury functions and maintain cash and bank balances and bank borrowings in foreign currencies, hence is exposed to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movements of the foreign currency exchange rates. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amount of the Group's Hong Kong dollars denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		**Liabilities**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	592,546	1,021,941	8,236,676	4,485,000

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the Renminbi, the functional currency of the Company and subsidiaries operating in the PRC, against Hong Kong dollars. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive (negative) number indicates an increase (decrease) in profit or loss where the Renminbi strengthens/weakens against Hong Kong dollar. For a 10% weakening of Renminbi against Hong Kong dollar, there would be equal but opposite impact on the profit before taxation.

	Profit or loss	
	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation	764,413	346,306

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

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances (see Notes 31 and 28 for details).

The Group analyses its interest rate exposure on a dynamic basis, but the Group did not enter into interest rate swaps in managing its cash flow interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances and bank borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2007 would decrease/increase by HK$18,599,000 (2006: decrease/increase by HK$5,639,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank balances and bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the addition in variable rate debt instruments.

Credit risk management

As at 31 December 2007, 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 and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to the financial guarantees as disclosed in note 36.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international creditrating agencies or state-owned banks in the PRC.

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

Liquidity risk management

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in each flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants. Details of the Group's borrowings are set out in Note 31.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash outflows.

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	Weighted average effective interest rate %	12 months or less *HK$'000*	1-2 years *HK$'000*	2-5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2007 *HK$'000*
2007						
Non-interest bearing						
Trade and other payables		2,096,676	–	–	2,096,676	2,096,676
Amounts due to fellow subsidiary		425	–	–	425	425
Amount due to a minority shareholder		503,084	–	–	503,084	503,084
Fixed interest rate instruments						
Bank borrowings	6.1%	3,107,598	3,166,505	1,808,529	8,082,632	7,197,272
Variable interest rate instruments						
Bank borrowings	3.78%	415,808	549,455	8,930,911	9,896,174	8,236,676
		6,123,591	3,715,960	10,739,440	20,578,991	18,034,133

	Weighted average effective interest rate %	12 months or less *HK$'000*	1-2 years *HK$'000*	2-5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2006 *HK$'000*
2006						
Non-interest bearing						
Trade and other payables		1,738,495	–	–	1,738,495	1,738,495
Amounts due to fellow subsidiaries		85,506	–	–	85,506	85,506
Amount due to immediate holding company		1,228,300	–	–	1,228,300	1,228,300
Fixed interest rate instruments						
Bank borrowings	5.6%	3,624,286	1,433,605	323,693	5,381,584	5,106,569
Variable interest rate instruments						
Bank borrowings	4.38%	201,687	201,687	4,915,544	5,318,918	4,485,000
		6,878,274	1,635,292	5,239,237	13,752,803	12,643,870

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

44. COMPARATIVE FIGURES

In prior year, the land appreciation tax was included in the Group's cost of sales. In the current year, the Group considered it is more appropriate to include the land appreciation tax in taxation and therefore, land appreciation tax of HK$256,965,000 (2006: HK$188,833,000) was reclassified from "Cost of sales" to "Taxation". Accordingly, unpaid land appreciation tax of HK$165,917,000 in 2006 was reclassified from "Trade and other payables" to "Taxation payable". The comparative amounts have been restated to conform to the current year presentation.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 77 to 160 were approved and authorised for issue by the Board of Directors on 28 March 2008.

The following is the text of a report received from the independent reporting accountants, Deloitte Touche Tohmatsu, in respect of the audited financial results of the Target Group for the three financial years ended 31 December 2007 as set out in this appendix for inclusion in this circular.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

27 June 2008

The Board of Directors
China Resources Land Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding Smooth Day Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007 (the "Relevant Periods"), for inclusion in the circular of China Resources Land Limited dated 27 June 2008 (the "Circular") in connection with, among other things, the proposed acquisition of the entire issued share capital of the Company by China Resource Land Limited. The Company was incorporated in the British Virgin Islands ("BVI") on 10 January 2008. Its immediate holding company is Gain Ahead Group Limited, a company incorporated in the BVI and its intermediate holding company is China Resources (Holdings) Company Limited ("CRH"). The directors regard the ultimate holding company to be China Resources National Corp. ("CRNC"), a company established in the Chinese Mainland. As part of the group reorganisation detailed in note 1 of Section A below, the Company becomes the holding company of the companies now comprising the Group on 8 May 2008. The Company is an investment holding company. As at the date of this report, the Company had direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activities and place of operation
Grace Truth Holdings Limited ("Grace Truth")	BVI 13 June 2005	US$1	100%	Investment holding Hong Kong
Green Grace Investments Limited ("Green Grace")	BVI 9 January 2008	US$1	100%	Investment holding Hong Kong

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activities and place of operation
Logic Furniture (Hong Kong) Limited ("Logic Furniture")	Hong Kong 17 January 2008	HK$1	100%	Investment holding Hong Kong
Merry Crest Investments Limited ("Merry Crest")	BVI 13 November 2006	US$1	100%	Investment holding Hong Kong
Richgem Investment Limited ("Richgem")	BVI 29 May 2006	HK$400,000,000	*55%	Investment holding Hong Kong
Rising Bright Investments Limited ("Rising Bright")	BVI 20 November 2006	US$1	100%	Investment holding Hong Kong
Upadvance Investments Limited ("Upadvance")	BVI 20 November 2006	US$1	100%	Investment holding Hong Kong
Winning Profit Investments Limited ("Winning Profit")	BVI 6 December 2006	US$1	100%	Investment holding Hong Kong
Wealthy Growth Investments Limited ("Wealthy Growth")	Hong Kong 8 October 2007	US$1	100%	Investment holding Hong Kong
Zelin Investments Limited ("Zelin")	BVI 7 September 2007	US$1	100%	Investment holding Hong Kong
華潤置地(武漢)發展有限公司	Chinese Mainland 10 July 2007	HK$990,000,000	100%	Property development Chinese Mainland
華潤置地開發(北京)有限公司	Chinese Mainland 4 January 2008	RMB1,150,000,000	100%	Property development Chinese Mainland
華潤置地發展(北京)有限公司	Chinese Mainland 29 December 2007	RMB1,150,000,000	100%	Property development Chinese Mainland

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activities and place of operation
華潤(重慶)有限公司	Chinese Mainland 25 January 2007	HK$380,000,000	100%	Property development Chinese Mainland
華潤置地(重慶)有限公司	Chinese Mainland 25 January 2007	HK$380,000,000	100%	Property development Chinese Mainland
華潤(重慶)實業有限公司	Chinese Mainland 25 January 2007	HK$380,000,000	100%	Property development Chinese Mainland
華潤置地(瀋陽)開發有限公司	Chinese Mainland 16 November 2007	US$199,800,000	100%	Property development Chinese Mainland
華潤(大連)有限公司 China Resources (Dalian) Corporation	Chinese Mainland 5 September 2006	HK$570,000,000	*55%	Property development Chinese Mainland
珠海勵致洋行辦公傢俬有限公司	Chinese Mainland 21 December 2001	HK$10,000,000	#100%	Trading and manufacturing of furniture Chinese Mainland

* The Group's effective interests in these subsidiaries decreased from 100% to 55% on 27 September 2006.

\# The Group's effective interest in this subsidiary increased from 73% to 100% on 30 December 2005.

The Company and the subsidiaries have adopted 31 December as their financial year end date.

Except for Richgem Investment Limited, for which financial statements for the period from 29 May 2006 (date of incorporation) to 31 December 2006 and for the year ended 31 December 2007 which had been audited by us, no audited financial statements have been prepared for those companies incorporated in the BVI because there is no such statutory requirement in the BVI. No audited financial statements have been prepared for those companies incorporated in Hong Kong, 華潤置地開發(北京)有限公司 and 華潤置地發展(北京)有限公司 as they are newly incorporated.

All statutory financial statements of the subsidiaries incorporated in the Chinese Mainland were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the Chinese Mainland and were audited by certified public accountants registered in the Chinese Mainland, for the Relevant Periods, as follows:

Name of Company	From	To	Name of auditor
華潤置地(武漢)發展有限公司	10 July 2007 (date of establishment)	31 December 2007	北京京都會計師事務所 Beijing Jingdu Certified Public Accountants Co. Ltd.
華潤(重慶)有限公司	25 January 2007 (date of establishment)	31 December 2007	北京五聯方圓會計師事務所有限公司 Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd.
華潤置地(重慶)有限公司	25 January 2007 (date of establishment)	31 December 2007	北京五聯方圓會計師事務所有限公司 Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd.
華潤(重慶)實業有限公司	25 January 2007 (date of establishment)	31 December 2007	北京五聯方圓會計師事務所有限公司 Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd.
華潤置地(瀋陽)開發有限公司	16 November 2007 (date of establishment)	31 December 2007	遼寧天運會計師事務所有限公司 LiaoNing TianYun Certified Public Accountants Co. Ltd.
華潤(大連)有限公司 China Resources (Dalian) Corporation	5 September 2006 (date of establishment) 1 January 2007	31 December 2006 31 December 2007	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
珠海勵致洋行辦公傢俬有限公司	1 January 2005 1 January 2006 1 January 2007	31 December 2005 31 December 2006 31 December 2007	珠海中拓正泰會計師事務所有限公司 Zhuhai Zhongtuo Zhengtai Certified Public Accountants Co., Ltd.

For the purpose of this report, the directors of Company have prepared each of the consolidated management accounts of Winning Profit, Upadvance, Rising Bright, Merry Crest, Zelin, Grace Truth and Green Grace, for the Relevant Periods ("Underlying Financial Statements") in accordance with accounting policies which conform with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by HKICPA. We have examined the Underlying Financial Statements of the Group for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section A below, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular. The preparation of the Underlying Financial Statements are the responsibility of the directors of the relevant companies who approved their issue. The directors of the Company are also 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 Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis set out in note 1 of Section A below, 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 Group as at 31 December 2005, 2006 and 2007, and of the combined results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

		Year ended 31 December		
	Notes	**2005**	**2006**	**2007**
		HK$'000	*HK$'000*	*HK$'000*
Revenue	*4*	201,215	220,559	258,984
Cost of sales		(130,001)	(139,760)	(167,357)
Gross profit		71,214	80,799	91,627
Other income	*6*	2,370	34,548	5,765
Selling and marketing expenses		(22,345)	(25,002)	(30,488)
General and administration expenses		(31,202)	(36,976)	(54,608)
Finance costs	*7*	–	(744)	(6,487)
Profit before taxation		20,037	52,625	5,809
Taxation	*8*	(2,104)	(3,110)	(7,316)
Profit (loss) for the year	*9*	17,933	49,515	(1,507)
Attributable to:				
Equity holders of the Company		12,939	50,266	9,284
Minority interests		4,994	(751)	(10,791)
		17,933	49,515	(1,507)
Dividend	*10*	(11,943)	–	(18,735)

COMBINED BALANCE SHEETS

		As at 31 December		
	Notes	**2005**	**2006**	**2007**
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Goodwill	*13*	18,347	18,347	18,347
Property, plant and equipment	*14*	8,966	10,223	30,163
Prepaid lease payments	*15*	7,747	7,863	116,449
		35,060	36,433	164,959
Current assets				
Inventory of properties	*16*	–	846,586	825,482
Other inventories	*17*	16,307	24,929	21,924
Prepaid lease payments	*15*	163	169	3,029
Trade receivables, other receivables, deposits paid and prepayments	*18*	47,005	489,679	2,575,446
Amounts due from fellow subsidiaries	*19*	–	20,130	271,221
Amount due from an intermediate holding company	*20*	–	–	42,712
Tax prepaid		–	–	422
Cash and bank balances	*21*	90,863	157,243	206,165
		154,338	1,538,736	3,946,401
Current liabilities				
Trade payables, other payables and accrued charges	*22*	96,568	152,254	46,509
Amounts due to fellow subsidiaries	*23*	–	3	53,108
Amounts due to intermediate holding companies	*24*	–	949,885	3,329,612
Loan from a minority shareholder	*25*	–	27,045	107,759
Taxation payable		1,098	905	–
		97,666	1,130,092	3,536,988
Net current assets		56,672	408,644	409,413
Total assets less current liabilities		91,732	445,077	574,372

	Notes	As at 31 December 2005 HK$'000	2006 HK$'000	2007 HK$'000
Capital and reserves				
Paid-in capital	26	33,442	33,442	74,942
Reserves		53,832	112,404	164,185
Equity attributable to equity holders of the Company		87,274	145,846	239,127
Minority interests		–	191,062	217,168
		87,274	336,908	456,295
Non-current liabilities				
Loan from a minority shareholder	25	–	103,711	118,077
Deferred taxation liabilities	27	4,458	4,458	–
		4,458	108,169	118,077
		91,732	445,077	574,372

STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Paid-in capital	Capital reserve	General reserve	Special reserve	Exchange translation reserve	Retained profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note a)	*(Note b)*	*(Note c)*					
At 1 January 2005	33,442	–	1,429	–	2,503	14,934	52,308	7,865	60,173
Exchange differences arising on translation of subsidiaries in Chinese Mainland recognised directly in equity	–	–	–	–	2,020	–	2,020	744	2,764
Profit for the year	–	–	–	–	–	12,939	12,939	4,994	17,933
Total recognised income for the year	–	–	–	–	2,020	12,939	14,959	5,738	20,697
Dividend	–	–	–	–	–	(8,726)	(8,726)	(3,217)	(11,943)
Acquisition of additional interest in subsidiaries	–	28,733	–	–	–	–	28,733	(10,386)	18,347
At 31 December 2005	33,442	28,733	1,429	–	4,523	19,147	87,274	–	87,274
Exchange differences arising on translation of subsidiaries in Chinese Mainland recognised directly in equity	–	–	–	–	8,306	–	8,306	2,846	11,152
Profit for the year	–	–	–	–	–	50,266	50,266	(751)	49,515
Total recognised income for the year	–	–	–	–	8,306	50,266	58,572	2,095	60,667
Fair value adjustment on loan from a minority shareholder	–	–	–	–	–	–	–	8,967	8,967
Transfer of reserve in subsidiaries	–	–	1,033	–	–	(1,033)	–	–	–
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	180,000	180,000
At 31 December 2006	33,442	28,733	2,462	–	12,829	68,380	145,846	191,062	336,908
Exchange difference arising on translation of subsidiaries in Chinese Mainland recognised directly in equity	–	–	–	–	117,451	–	117,451	26,603	144,054
Loss for the year	–	–	–	–	–	9,284	9,284	(10,791)	(1,507)
Total recognised income for the year	–	–	–	–	117,451	9,284	126,735	15,812	142,547
Capital injection to a subsidiary	65,000	–	–	–	–	–	65,000	–	65,000
Transfer of the furniture business as part of the group reorganisation *(note 11)*	(23,500)	–	–	(56,219)	–	–	(79,719)	–	(79,719)
Dividend	–	–	–	–	–	(18,735)	(18,735)	–	(18,735)
Fair value adjustments on loan from a minority shareholder	–	–	–	–	–	–	–	10,294	10,294
At 31 December 2007	74,942	28,733	2,462	(56,219)	130,280	58,929	239,127	217,168	456,295

Note (a) Capital reserve represents the capital contribution from Gain Ahead Limited attributable to the acquisition of the additional interest in subsidiaries carrying out the furniture business in 2005.

Note (b) General reserve comprises the Group's share of the post acquisition statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve of subsidiaries in the Chinese Mainland. In accordance with the relevant rules and regulations in the Chinese Mainland and the provision of the articles of association of the Group's subsidiaries established in the Chinese Mainland, these subsidiaries were required to appropriate 10% and 5% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund, respectively. The Group's subsidiaries which are established as foreign investment enterprises are required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory reserve fund and a certain percentage of the profit for the year to enterprise expansion fund at the discretion of the board of directors of the respective companies.

The statutory surplus reserve and statutory reserve fund can only be used to make good of previous years' losses or to increase the capital of respective companies upon the approval of relevant authority, the statutory public welfare fund can only be used in capital expenditure for collective companies or to expand their production scale upon approval by the relevant authorities.

Note (c) Special reserve represents the difference between the aggregate paid-in capital of China Resources Logic Office Furniture (Zhuhai) Limited and 珠海勵致傢俬有限公司 and the net amount of assets and liabilities retained by these two companies pursuant to the Group Reorganisation.

COMBINED CASH FLOW STATEMENTS

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	20,037	52,625	5,809
Adjustments for:			
Imputed interest expense	–	727	6,374
Bank interest income	(933)	(2,748)	(4,331)
Gain on disposal of partial interest in a subsidiary	–	(30,311)	–
Depreciation of property, plant and equipment	4,259	2,955	5,886
Loss on disposal of property, plant and equipment	949	450	69
Amortisation of prepaid lease payments	161	166	175
Operating cash flows before movements in working capital	24,473	23,864	13,982
Increase in inventory of properties	–	(829,739)	(39,253)
Decrease (increase) in other inventories	2,162	(8,045)	(4,554)
Increase in trade receivables, other receivables, deposits paid and prepayments	(7,074)	(441,010)	(2,022,402)
Increase in amounts due from fellow subsidiaries	–	(20,130)	(530,601)
Increase in amount due from an intermediate holding company	–	–	(51,348)
Increase (decrease) in trade payables, other payables and accrued charges	13,625	50,296	(13,903)
Increase in amounts due to fellow subsidiaries	2,280	3	301,453
Cash generated from (used in) operations	35,466	(1,224,761)	(2,346,626)
Chinese Mainland Enterprise Income Tax paid	(2,570)	(3,341)	(6,861)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	32,896	(1,228,102)	(2,353,487)

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Capital injection to a subsidiary	–	–	65,000
Interest received	933	2,748	4,331
Proceeds on disposal of property, plant and equipment	181	144	5,279
Proceed on disposal of partial interest in a subsidiary	–	210,311	–
Purchases of property, plant and equipment	(2,660)	(4,353)	(16,340)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,546)	208,850	58,270
FINANCING ACTIVITIES			
Transfer of furniture business *(note 11)*	–	–	(30,896)
Purchases of assets of furniture business	–	–	(26,136)
Loan from a minority shareholder	–	138,996	99,000
Dividend paid	(11,943)	–	(18,735)
Advance from intermediate holding companies	–	943,756	2,311,905
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(11,943)	1,082,752	2,335,138
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,407	63,500	39,921
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,089	2,880	9,001
CASH AND CASH EQUIVALENTS AT 1 JANUARY	69,367	90,863	157,243
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	90,863	157,243	206,165
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	90,863	157,243	206,165

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Company is an investment holding company and its principal assets are its indirect interests in the property development sites which comprise the Beijing Mentougou Site (北京門頭溝地產項目), the Beijing Daxing Site (北京大興地產項目), the Wuhan Site (漢鋼地產項目), the Chongqing Site (重慶地產項目), the Shenyang Dingxianghu Site (瀋陽丁香湖項目) and the Dalian Xinhaiwen Site (大連星海灣項目) located in the Chinese Mainland (hereinafter referred to as the "Property Development Sites") and the furniture manufacturing and sale business in the Chinese Mainland which were carried out by 珠海勵致洋行辦公傢俬有限公司 (For identification purpose only "Zhuhai Logic Office Furniture"), China Resources Logic Office Furniture (Zhuhai) Limited (華潤勵致洋行傢俬(珠海)有限公司) (For identification purpose only "CR Logic Office Furniture") and 珠海勵致傢俬有限公司 (For identification purpose only "Zhuhai Logic Furniture") prior to the group reorganisation (hereinafter referred to as the "Furniture Business").

Group reorganisation

In preparing for the proposed acquisition of the entire issued share capital of the Company by China Resources Land Limited, the companies now comprising the Group underwent the reorganisation to rationalize the group structure (the "Group Reorganisation"). Details of the Group Reorganisation are as follows:

(a) As part of the Group Reorganisation, Zhuhai Logic Office Furniture had entered into assets purchase agreements (the "Assets Purchase Agreements") separately with CR Logic Office Furniture and Zhuhai Logic Furniture to purchase certain assets from CR Logic Office Furniture and Zhuhai Logic Furniture at a cash consideration of approximately RMB14.6 million and RMB11.6 million respectively on 21 December 2007. The Furniture Business is then carried out by Zhuhai Logic Office Furniture upon the completion of the Assets Purchase Agreements.

Pursuant to a Sale and Purchase Agreement entered into between Logic Furniture, a wholly-owned subsidiary of the Company, and Logic Industrial Enterprises Limited, a wholly-owned subsidiary of CRH, on 29 April 2008, Logic Furniture agreed to purchase the entire issued share capital of Zhuhai Logic Office Furniture at a consideration of approximately RMB94 million.

Pursuant to a board of director's resolution dated 30 April 2008, the Company acquired the entire issued share capital of Green Grace, a wholly owned subsidiary of CRH and the Group's intermediate holding company of the Group's interest in the Furniture Business, from Palazzo Inc., a wholly owned subsidiary of CRH, at a nominal consideration of US$1.

(b) Pursuant to a board of director's resolution dated 30 April 2008, the Company acquired the entire issued share capital of Winning Profit, a wholly owned subsidiary of CRH and the Group's intermediate holding company of the Group's interest in the Wuhan Project, from Central New Investments Limited ("Central New") at a nominal consideration of US$1.

Pursuant to a Deed of Assignment dated 30 April 2008, Central New had assigned the shareholder's loan due from Winning Profit in the total amount of HK$980,100,000 to the Company at the consideration of the same amount.

(c) Pursuant to a board of director's resolution dated 30 April 2008, the Company acquired the entire issued share capital of Upadvance, a wholly owned subsidiary of CRH and the Group's intermediate holding company of the Group's interest in the Chongqing Project, from Central New at a nominal consideration of US$1.

Pursuant to a Deed of Assignment dated 30 April 2008, Central New had assigned the shareholder's loan due from Upadvance in the total amount of HK$387,000,500 to the Company at the consideration of the same amount.

(d) Pursuant to a board of director's resolution dated 30 April 2008, the Company acquired the entire issued share capital of Rising Bright, a wholly owned subsidiary of CRH and the Group's intermediate holding company of the Group's interest in the Chongqing Project, from Central New at a nominal consideration of US$1.

Pursuant to a Deed of Assignment dated 30 April 2008, Central New had assigned the shareholder's loan due from Rising Bright in the total amount of HK$415,000,000 to the Company at the consideration of the same amount.

(e) Pursuant to a board of director's resolution dated 30 April 2008, the Company acquired the entire issued share capital of Merry Crest, a wholly owned subsidiary of CRH and the Group's intermediate holding company of the Group's interest in the Chongqing Project, from Central New at a nominal consideration of US$1.

Pursuant to a Deed of Assignment dated 30 April 2008, Central New had assigned the shareholder's loan due from Merry Crest in the total amount of HK$169,200,000 to the Company at the consideration of the same amount.

(f) Pursuant to a board of director's resolution dated 30 April 2008, the Company acquired the entire issued share capital of Zelin, a wholly owned subsidiary of CRH and the Group's intermediate holding company of the Group's interest in the Shenyang Project, from Central New at a nominal consideration of US$1.

Pursuant to a Deed of Assignment dated 30 April 2008, Central New, an indirectly wholly owned subsidiary of CRH, had assigned the shareholder's loan due from Zelin in the total amount of HK$1,559,916,750 to the Company at the consideration of the same amount.

(g) Pursuant to a board of director's resolution dated 30 April 2008, the Company acquired the entire issued share capital of Grace Truth, a wholly owned subsidiary of CRH and the Group's intermediate holding company of the Group's interest in the Dalian Project, from CRH at a nominal consideration of US$1.

Pursuant to a Deed of Assignment dated 30 April 2008, CRH had assigned the shareholder's loan due from Grace Truth in the total amount of HK$524,572,810 to the Company at the consideration of the same amount.

(h) Pursuant to a board of director's resolution of Gain Ahead Group Limited ("Gain Ahead"), the immediate holding company of the Company, dated 30 April 2008, Gain Ahead agreed to subscribe one ordinary share of US$1 each, in the share capital of the Company at a subscription price of HK$3,414,449,028, which shall be satisfied by the capitalization of a shareholder's loan of the same amount provided by Gain Ahead to the Company.

Pursuant to another board of director's resolution of Gain Ahead, the immediate holding company of the Company, dated 30 April 2008, Gain Ahead agreed to subscribe one ordinary share of US$1 each, in the share capital of the Company at a subscription price of HK$4,036,122,240, which shall be satisfied by the capitalization of a shareholder's loan of the same amount provided by Gain Ahead to the Company.

Pursuant to another board of director's resolution of Gain Ahead, the immediate holding company of the Company, dated 30 April 2008, Gain Ahead agreed to subscribe one ordinary share of US$1 each, in the share capital of the Company at a subscription price of HK$284,870,495, which shall be satisfied by the capitalization of a shareholder's loan of the same amount provided by Gain Ahead to the Company.

Pursuant to a board of director's resolution of Gain Ahead, the immediate holding company of the Company, dated 28 May 2008, Gain Ahead agreed to subscribe one ordinary share of US$1 each, in the share capital of the Company at a subscription price of HK$123,971,390, which shall be satisfied by the capitalization of a shareholder's loan of the same amount provided by Gain Ahead to the Company.

Upon the completion of the above Group Reorganisation on 8 May 2008, the Company became the holding company of the subsidiaries which hold the interests in the Property Development Sites and Zhuhai Logic Office Furniture which carries out the Furniture Business.

The principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" have been applied in the preparation of the Financial Information. The combined income statements and the combined cash flow statements include the results and cash flows of the companies now comprising the Group, CR Logic Office Furniture and Zhuhai Logic Furniture, as if the Company had held the Property Development Sites and the Furniture Business throughout the Relevant Periods. The combined balance sheets of the Group as at 31 December 2005 and 2006 have been prepared to present the assets and liabilities of the companies now comprising the Group, CR Logic Office Furniture and Zhuhai Logic Furniture as if the Company had held the Property Development Sites and the Furniture Business as at those dates. The combined balance sheet of the Group as at 31 December 2007 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the Company had held the Property Development Sites and the Furniture Business as at that date.

For subsidiaries historically acquired by or disposed of by the then holding companies during the Relevant Periods, their financial statements are combined from or to their effective dates of acquisition or disposal. All material intra-group transactions and balances have been eliminated on combination.

All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information is presented in Hong Kong dollars, which is different from the functional currency of the Company, Renminbi ("RMB"), as the directors consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the Group. The majority of the Company's subsidiaries are operating in the Chinese Mainland with RMB as their functional currency.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("INT(s)") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2007.

At the date of this report, HKICPA issued the following new or revised HKFRSs, HKASs and INTs (hereinafter collectively referred to as "new HKFRSs") that have been issued but are not yet effective. However, the Group has not early applied these new HKFRSs.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

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

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared in accordance with accounting policies which conform with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial statements of the companies now comprising the Group.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the combined income statement from the effective dates 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 Group.

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

Minority interests in the net assets of 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.

Acquisition of additional interest in a subsidiary

Acquisition of additional interest in a subsidiary is recorded at the Group's book value of the net assets attributable to the interests. The excess of the cost of acquisition over the carrying amounts of net assets attributable to the additional interest is recognised as goodwill.

Goodwill

Goodwill arising on acquisition of additional interest in subsidiaries, representing the excess of the cost of the acquisition over the carrying value of the net assets attributable to the additional interest in the subsidiaries, is presented separately on the balance sheet and is carried at cost less any accumulated impairment losses.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's 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, or whenever there is an indication that the unit may be impaired. For goodwill arising on 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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Merger accounting

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

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 discount.

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and 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 after taking into account of their estimated residual values, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Property that is being constructed or developed for future use as an investment property is classified as property, plant and equipment and carried at cost less recognised impairment loss until construction or development is completed, at which time it is reclassified to and subsequently accounted for as investment property. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If 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.

Leasing

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

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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

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

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

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

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 year in which they are incurred.

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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 taxation is also dealt with in equity.

Inventory of properties

Inventory of properties includes properties under development for resale purpose which are stated at lower of cost and net realisable value.

Cost includes the cost of land together with development expenditure, which includes construction costs and borrowing costs capitalised.

Cost of land includes land premium and expenditure for demolition.

Other inventories

Other 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 carried at amortised cost are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as 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 receivables, other receivables, amounts due from intermediate holding company and fellow subsidiaries and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to fellow subsidiaries, intermediate holding companies and loan from a minority shareholder 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.

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.

Retirement benefit contributions

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. REVENUE

Revenue represents income from trading and manufacturing and sale of office furniture.

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into two operations. These operations, which are based on which the Group reports its primary segment information, are as follows:

– Property development and investments

– Manufacturing and sale of furniture

(a) Business segments

Year ended 31 December 2005

	Property development and investments *HK$'000*	**Manufacturing and sale of furniture** *HK$'000*	**Combined** *HK$'000*
Revenue			
External sales	–	201,215	201,215
Result			
Segment result	(24)	19,128	19,104
Unallocated other income			933
Profit before taxation			20,037
Taxation			(2,104)
Profit for the year			17,933

	Property development and investments *HK$'000*	**Manufacturing and sale of furniture** *HK$'000*	**Combined** *HK$'000*
Other information			
Capital additions	–	2,660	2,660
Depreciation of property, plant and equipment	–	4,259	4,259

At 31 December 2005

	Property development and investments	Manufacturing and sale of furniture	Combined
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	–	80,188	80,188
Unallocated corporate assets			109,210
Combined total assets			189,398
Liabilities			
Segment liabilities	–	96,544	96,544
Unallocated corporate liabilities			5,580
Combined total liabilities			102,124

Year ended 31 December 2006

	Property development and investments	Manufacturing and sale of furniture	Combined
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
External sales	–	220,559	220,559
Result			
Segment result	(345)	20,654	20,309
Unallocated other income			33,060
Finance costs			(744)
Profit before taxation			52,625
Taxation			(3,110)
Profit for the year			49,515

	Property development and investments	Manufacturing and sale of furniture	Combined
	HK$'000	*HK$'000*	*HK$'000*
Other information			
Capital additions	963	3,390	4,353
Depreciation of property, plant and equipment	26	2,929	2,955

At 31 December 2006

	Property development and investments	Manufacturing and sale of furniture	Combined
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	1,297,575	81,874	1,379,449
Unallocated corporate assets			195,720
Combined total assets			1,575,169
Liabilities			
Segment liabilities	47,170	105,084	152,254
Unallocated corporate liabilities			1,086,007
Combined total liabilities			1,238,261

Year ended 31 December 2007

	Property development and investments	Manufacturing and sale of furniture	Combined
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
External sales	–	258,984	258,984
Result			
Segment result	(20,653)	28,467	7,814
Unallocated other income			4,482
Finance costs			(6,487)
Profit before taxation			5,809
Taxation			(7,316)
Loss for the year			(1,507)

	Property development and investments	Manufacturing and sale of furniture	Combined
	HK$'000	*HK$'000*	*HK$'000*
Other information			
Capital additions	6,583	9,757	16,340
Depreciation of property, plant and equipment	679	5,207	5,886

At 31 December 2007

	Property development and investments	Manufacturing and sale of furniture	Combined
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	3,510,327	62,166	3,572,493
Unallocated corporate assets			538,867
Combined total assets			4,111,360
Liabilities			
Segment liabilities	27,488	19,021	46,509
Unallocated corporate liabilities			3,608,556
Combined total liabilities			3,655,065

(b) No geographical segment analysis is presented as all of the Group's businesses are derived from activities in, and from customers located in, the Chinese Mainland and all of the carrying values of assets of the Group are situated in the Chinese Mainland.

6. OTHER INCOME

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Gain on disposal of partial interest in a subsidiary *(note a)*	–	30,311	–
Sales of scrap materials	1,423	1,489	1,283
Bank interest income	933	2,748	4,331
Others	14	–	151
	2,370	34,548	5,765

Note:

(a) Pursuant to a sale and purchase agreement (the "Agreement") dated 27 September 2006 entered into between Grace Truth, a wholly owned subsidiary of the Company, CRH and an independent third party of the Group, such party agreed to purchase 45% equity interest in Richgem, another wholly owned subsidiary of the Company, at a cash consideration of HK$181,000,000. Pursuant to the Agreement, such party would pay Grace Truth RMB30,000,000 for Grace Truth's efforts in the assessment and evaluation of the Dalian Project, including negotiations with the relevant Dalian government departments for, inter alia, the plot ratios, permitted usage of the land use rights of the Dalian project.

7. FINANCE COSTS

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Imputed interest expenses on loan from a minority shareholder	–	727	6,374
Others	–	17	113
	–	744	6,487

8. TAXATION

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
The charge comprises:			
Current tax:			
Chinese Mainland Enterprise Income Tax	2,718	2,883	7,316
(Overprovision) underprovision in prior years:			
Chinese Mainland Enterprise Income Tax	(614)	227	–
	2,104	3,110	7,316

Provision for Chinese Mainland Enterprise Income Tax for Relevant Periods has been made based on the subsidiaries' estimated assessable profits calculated in accordance with the relevant enterprise income tax laws applicable to the subsidiaries in the Chinese Mainland.

On 16 March 2007, the People's Republic of China ("PRC") promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for the Group's certain subsidiaries from 1 January 2008. The Group's subsidiaries incorporated in Zhuhai are entitled to a privilege rate of 15% as they are wholly owned foreign subsidiaries registered with the Zhuhai local tax authority. The new tax rates for these subsidiaries are progressively increasing to 25% over five years.

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

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	20,037	52,625	5,809
Tax charge at domestic tax rate of 33%	6,612	17,366	1,917
Tax effect of expenses not deductible for tax purpose	1,502	1,980	11,261
Tax effect of income not taxable for tax purpose	(1,680)	(11,932)	(1,042)
Tax effect of tax losses not recognised	–	363	–
Income tax at concessionary rate	(3,716)	(4,908)	(4,820)
(Overprovision) under provision in prior years	(614)	227	–
Others	–	14	–
Tax charge for the year	2,104	3,110	7,316

9. PROFIT (LOSS) FOR THE YEAR

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) for the year is arrived at after charging (crediting):			
Directors' emoluments			
Fees	–	–	–
Salaries and other emoluments	–	–	–
Other staff costs	33,048	37,450	46,786
Retirement benefit cost, excluding amount included in directors' emoluments	3,450	4,084	4,355
Total staff costs	36,498	41,534	51,141
Less: Amount capitalised in the inventory of properties	–	–	(1,390)
	36,498	41,534	49,751
Cost of inventories recognised as expense	130,001	139,760	167,357
Auditor's remuneration	459	565	825
Depreciation of property, plant and equipment	4,259	2,955	5,886
Loss on disposal of property, plant and equipment	949	450	69
Amortisation of prepaid lease payments	161	166	175

10. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation. However, during the Relevant Periods, the following companies had paid the following amounts of dividends to their then shareholders prior to the Group Reorganisation:

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Final dividend paid by:			
Zhuhai Logic Furniture	11,943	–	15,595
CR Logic Office Furniture	–	–	3,140
	11,943	–	18,735

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

11. TRANSFER OF THE FURNITURE BUSINESS

In December 2007, as part of the Group Reorganisation, certain assets of CR Logic Office Furniture and Zhuhai Logic Furniture were acquired by Zhuhai Logic Office Furniture at an aggregate cash consideration of approximately RMB26,136,000 pursuant to the Assets Purchase Agreements. The remaining assets and liabilities retained by CR Logic Office Furniture and Zhuhai Logic Furniture with a total net carrying amount of approximately HK$79,719,000 were accounted for as a deemed distribution in December 2007 in accordance with the basis of preparation set out in note 1.

12. THE FIVE HIGHEST PAID EMPLOYEES

The emoluments of the five highest paid employees, none of them are directors were as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	3,395	3,267	3,124
Contribution to retirement benefit schemes	105	91	94
Performance related incentive payment	980	952	1,370
	4,480	4,310	4,588

Their emoluments were within the following bands:

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Nil to HK$1,000,000	3	4	3
HK$1,000,000 – HK$1,500,000	2	1	2

13. GOODWILL

	HK$'000
Carrying amounts	
At 1 January 2005	–
Arising on acquisition of additional interest in subsidiaries	18,347
At 31 December 2005, 2006 and 2007	18,347

Pursuant to a sale and purchase agreement entered into between China Resources Logic Limited and Emax Capital Limited, a wholly-owned subsidiary of CRH, in connection with the sale and purchase of the entire issued share capital of Palazzo Inc., the intermediate holding company of the Group's Furniture Business dated 8 November 2005, the Group's effective interests in Palazzo Inc. have been increased from 73% to 100%. Goodwill arising from the acquisition of approximately HK$18,347,000 was recognised in the combined balance sheets of the Group as at 31 December 2005, 2006 and 2007.

For the purposes of impairment testing, goodwill has been allocated to the furniture cash generating unit ("Furniture CGU").

During the year ended 31 December 2005, 2006 and 2007, management of the Group determines that there are no impairments of its goodwill based on the estimated recoverable amount of Furniture CGU.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and discount rate of 10% per annum which reflect the current market assessment of the time value of money and the risks specific to the Furniture CGU. Cash flows beyond the 3-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU of furniture group to exceed the aggregate recoverable amount of this CGU.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Leasehold improvement HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
As at 1 January 2005	39,474	14,850	13,985	4,844	–	73,153
Currency realignment	918	274	323	112	–	1,627
Additions	1,335	–	134	850	341	2,660
Disposals	(13,778)	–	(3,638)	(624)	–	(18,040)
As at 31 December 2005	27,949	15,124	10,804	5,182	341	59,400
Currency realignment	1,002	480	433	205	15	2,135
Additions	2,415	–	493	1,294	151	4,353
Disposals	(8,012)	(1,455)	(220)	(666)	–	(10,353)
As at 31 December 2006	23,354	14,149	11,510	6,015	507	55,535
Currency realignment	1,714	992	862	462	625	4,655
Additions	7,899	1,444	1,056	2,615	3,326	16,340
Transfer of Furniture Business *(note 11)*	(5,481)	(11,422)	(7,742)	(1,735)	–	(26,380)
Disposals	(15,729)	(1,168)	(3,745)	(2,524)	–	(23,166)
Transferred from inventory of properties	–	–	–	–	14,005	14,005
As at 31 December 2007	11,757	3,995	1,941	4,833	18,463	40,989
DEPRECIATION						
As at 1st January 2005	(37,669)	(9,661)	(11,609)	(2,992)	–	(61,931)
Currency realignment	(604)	(213)	(268)	(69)	–	(1,154)
Provided for the year	(1,929)	(1,464)	(335)	(531)	–	(4,259)
Disposals	12,737	–	3,590	583	–	16,910
As at 31 December 2005	(27,465)	(11,338)	(8,622)	(3,009)	–	(50,434)
Currency realignment	(840)	(411)	(318)	(111)	–	(1,680)
Provided for the year	(1,142)	(1,041)	(258)	(514)	–	(2,955)
Disposals	7,548	1,370	197	642	–	9,757
As at 31 December 2006	(21,899)	(11,420)	(9,001)	(2,992)	–	(45,312)
Currency realignment	(1,223)	(816)	(649)	(224)	–	(2,912)
Provided for the year	(3,819)	(374)	(289)	(1,404)	–	(5,886)
Transfer of Furniture Business *(note 11)*	9,399	8,802	5,776	1,489	–	25,466
Disposals	11,297	1,151	3,623	1,747	–	17,818
As at 31 December 2007	(6,245)	(2,657)	(540)	(1,384)	–	(10,826)
CARRYING VALUES						
As at 31 December 2005	484	3,786	2,182	2,173	341	8,966
As at 31 December 2006	1,455	2,729	2,509	3,023	507	10,223
As at 31 December 2007	5,512	1,338	1,401	3,449	18,463	30,163

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments for land use rights are situated in the Chinese Mainland and held under medium-term leases. The prepaid lease payments are amortised over 50 years.

16. INVENTORY OF PROPERTIES

The inventory of properties represents properties under development which are located in the Chinese Mainland under medium-term lease. Inventory of properties which are expected to be recovered in more than twelve months after the balance sheet date are classified under current asset as it is expected to be realised in the Group's normal operating cycle.

17. OTHER INVENTORIES

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	10,044	13,957	11,900
Work in progress	4,641	7,324	8,137
Finished goods	1,622	3,648	1,887
	16,307	24,929	21,924

18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	43,277	33,063	181
Less: Accumulated impairments	(5,511)	(5,511)	–
	37,766	27,552	181
Deposits paid for acquisition of land use rights	–	450,000	2,566,339
Other receivables, prepayments and other deposits	9,239	12,127	8,926
	47,005	489,679	2,575,446

The Group does not grant credit period to its trade customers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within 60 days	21,927	15,500	–
61 – 91 days	5,480	4,052	–
Over 91 days	10,359	8,000	181
	37,766	27,552	181

Included in the Group's trade receivable balance at 31 December 2005, 2006 and 2007 are debtors with aggregate carrying amount of HK$37,766,000, HK$27,552,000 and HK$181,000 respectively, which are past due at the reporting date for which the Group has not provided for impairment loss. For those past due but not impaired receivables, the Group has assessed the creditworthiness and the payment history and considered that the default risk is low.

Included in the allowance for doubtful debts at 31 December 2005, 2006 and 2007 are individually impaired trade receivables with an aggregate balance of HK$5,511,000, HK$5,511,000 and nil respectively, which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within 60 days	21,927	15,500	–
61 – 91 days	5,480	4,052	–
Over 91 days	10,359	8,000	181
	37,766	27,552	181

Movement in the allowance for doubtful debts:

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	5,511	5,511	5,511
Transfer of Furniture Business *(note 11)*	–	–	(5,511)
Balance at the end of the year	5,511	5,511	–

19. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

	Year ended 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
華潤置地(武漢)實業有限公司	–	–	271,221
華潤(大連)房地產有限公司	–	105	–
華潤(大連)置業有限公司	–	97	–
China Resources Construction Corporation	–	19,928	–
	–	20,130	271,221

The amounts are unsecured, interest free and repayable on demand. The amount due from 華潤置地(武漢)實業有限公司 has been fully settled prior to the Group Reorganisation.

20. AMOUNT DUE FROM AN INTERMEDIATE HOLDING COMPANY

The amount represents the loan balance with 華潤股份有限公司, which is unsecured, interest bearing at 3.42% per annum and repayable on demand. The amount had been fully settled on 15 May 2008.

21. CASH AND BANK BALANCES

Cash and bank balances at 31 December 2005, 2006 and 2007 comprise short-term bank deposits carrying interest at market rates which range from 0.21% to 4.37%, 3.71% to 4.68% and 3.36% to 5.45% per annum respectively.

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

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	8,998	32,804	79,910
Renminbi	80,254	121,203	126,255
United States Dollars	1,611	3,236	–
	90,863	157,243	206,165

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	23,547	29,289	12,811
Other payables and accrued charges	73,021	122,965	33,698
	96,568	152,254	46,509

The following is an aged analysis of trade payables at the balance sheet date:

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within 60 days	7,970	29,289	12,811
61 – 91 days	5,601	–	–
Over 91 days	9,976	–	–
	23,547	29,289	12,811

23. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	Year ended 31 December		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
華潤(深圳)有限公司	–	1	–
深圳華潤物業管理有限公司	–	1	–
華潤置地(合肥)有限公司	–	1	4
華潤(瀋陽)地產有限公司	–	–	2,142
重慶潤隆實業有限公司	–	–	10,287
CR Logic Office Furniture	–	–	27,571
Logic Office Supplies Limited	–	–	13,104
	–	3	53,108

The amounts are unsecured, interest free and repayable on demand.

24. AMOUNTS DUE TO INTERMEDIATE HOLDING COMPANIES

	Year ended 31 December		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
華潤股份有限公司	–	173,160	550,990
Central New Investment Limited	–	450,023	2,297,916
China Resources (Holdings) Company Limited	–	326,702	480,706
	–	949,885	3,329,612

The amounts are unsecured, interest free and repayable on demand.

25. LOAN FROM A MINORITY SHAREHOLDER

The amounts are unsecured, interest free and repayable as follows:

	As at 31 December		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
On demand or within one year (under current liabilities)	–	27,045	107,759
More than one year (under non-current liabilities)	–	103,711	118,077
	–	130,756	225,836

The amounts are denominated in Hong Kong dollars and subject to the maturity dates stated below:

As at 31 December 2006

Principal	**Maturity date**
HK$27,045,000	On demand
HK$111,951,000 *(Note a)*	31 December 2008

Note:

(a) The fair value of the amount is estimated at HK$103,711,000 based on the present value of the estimated cash flows discount using the effective interest rate of 3.904%.

As at 31 December 2007

Principal	**Maturity date**
HK$111,951,000 *(Note a)*	31 December 2008
HK$126,045,000 *(Note b)*	31 December 2009

Notes:

(a) The fair value of the amount is estimated at HK$103,711,000 based on the present value of the estimated cash flows discount using the effective interest rate of 3.904%.

(b) The fair value of the amount is estimated at HK$118,077,000 based on the present value of the estimated cash flows discount using the effective interest rate of 3.314%.

26. PAID-IN CAPITAL

For the purpose of the preparation of the combined balance sheets, paid-in capital at 31 December 2005 and 2006 represented the aggregate of the share capital and paid-in capital of CR Logic Furniture, Zhuhai Logic Furniture and the companies now comprising the Group and paid-in capital at 31 December 2007 represented the aggregate of the share capital and paid-in capital of the companies now comprising the Group.

27. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2005, 31 December 2005 and 2006	659	3,799	4,458
Transfer of Furniture Business *(note 11)*	(659)	(3,799)	(4,458)
At 31 December 2007	–	–	–

28. COMMITMENTS

	As at 31 December		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment:			
Contracted for but not provided in the combined financial statements	–	20	4,794
Authorised but not provided in the combined financial statements	–	–	481
Other commitment in respect of the acquisition of land use rights	–	1,798,875	2,116,700

29. OPERATING LEASE COMMITMENT

The Group as lessee

Minimum lease payments paid under operating leases for three years ended 31 December 2005, 2006 and 2007 in respect of rented premises were HK$4,412,000 HK$5,197,000 and HK$6,114,000 respectively.

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

	As at 31 December		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Within one year	3,150	4,602	2,377
In the second to fifth year inclusive	2,360	1,511	5,786
Over five years	–	479	–
	5,510	6,592	8,163

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated on lease terms ranged from one year to five years and rentals are fixed for an average of two years.

30. RETIREMENT BENEFIT PLANS

(a) Hong Kong

The Group participates in a mandatory provident fund scheme ("MPF Scheme") for its employees in Hong Kong. MPF Scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF Scheme, the employer and its employees are required to contribute 5% of the employees' salaries, up to a maximum of HK$1,000 per employee per month. The assets of MPF Scheme are held separately from those of the group companies in an independently administered fund.

During the Relevant Periods, the total amounts contributed by the Group to the MPF Scheme in Hong Kong and charged to the combined income statements represent contributions payable to the MPF Scheme by the Group at rates specified in the rules of the scheme are as follows:

	Year ended 31 December		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Amount contributed and charged to the combined income statements	67	67	67

(b) Chinese Mainland

The employees of the Group in the Chinese Mainland are members of state-managed retirement benefit schemes operated by the respective local government in the Chinese Mainland. The Group is required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The total cost charged to the combined income statements in respect of the above-mentioned schemes in the Chinese Mainland during the Relevant Periods are as follows:

	Year ended 31 December		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Amount contributed and charged to the combined income statements	3,383	4,017	4,288

31. RELATED PARTY TRANSACTIONS

(a) Transactions with fellow subsidiaries/minority shareholder

The following is a summary of the significant related party transactions entered into by the Group with its fellow subsidiaries and minority shareholder during the Relevant Periods:

	Year ended 31 December		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Sales to fellow subsidiaries	790	1,675	9,988

(b) Compensation of key management personnel

Remuneration paid to the key management personnels is included in note 12. The remuneration of the management personnels is determined with reference to the performance of individuals and market trends.

(c) Transactions/balances with other state-controlled entities in the Chinese Mainland

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 CRNC which is controlled by the PRC government.

Apart from the disclosure in (a) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities as independent third parties so far as the Group's business transactions with them are concerned.

(i) The Group has entered into various transactions, including certain 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 of the Company are of the opinion that separate disclosure would not be meaningful.

(ii) The Group has sales and purchases transactions with customers and suppliers, in which the directors of the Company are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes loan from a minority shareholder and amounts due to fellow subsidiaries/intermediate holding companies, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in the combined statements of changes in equity.

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

The Group's overall strategy remains unchanged throughout the Relevant Periods.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	As at 31 December		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	128,629	204,925	520,279
Financial liabilities			
Amortised cost	23,547	1,109,933	3,621,367

(b) Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

The Board of Directors of the Company monitors and manages the financial risks relating to the operations of the Group, which include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group does not hold any financial instruments, including derivative financial instruments, for hedging or speculative purpose.

Market risk

Foreign currency risk management

The Group conducts its treasury functions and maintains certain amount of cash and bank balances in foreign currencies, hence is exposed to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movements of the foreign currency exchange rates. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

		Assets	
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Unites States Dollars	1,611	3,236	–
Hong Kong dollars	8,998	32,804	79,910

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the Renminbi, the functional currency of the Company and subsidiaries operating in the Chinese Mainland, against the respective foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive (negative) number indicates an increase (decrease) in profit or loss where the Renminbi weakens against the respective foreign currencies. For a 10% strengthening of Renminbi against the respective foreign currencies, there would be equal but opposite impact on the profit before taxation.

		Profit or loss	
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Unites States Dollars	161	324	–
Hong Kong dollars	900	3,280	7,991

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

Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to bank balances (see Note 21 for details).

The Group analyses its interest rate exposure on a dynamic basis, but the Group did not enter into interest rate swaps in managing its cash flow interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

The directors consider that the Group's interest rate risk related to the bank balances are insignificant to the Group.

Credit risk management

As at 31 December 2005, 2006 and 2007, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the combined balance sheets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews 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 the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the Chinese Mainland.

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

Liquidity risk management

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

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash outflows.

	Effective interest rate	**12 months or less**	**1-2 years**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2005**
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005					
Non-interest bearing					
Trade payables	–	23,547	–	23,547	23,547

	Effective interest rate	12 months or less	1-2 years	Total undiscounted cash flows	Carrying amount at 31.12.2006
	%	HK$'000	HK$'000	HK$'000	HK$'000
2006					
Non-interest bearing					
Trade payables	–	29,289	–	29,289	29,289
Amounts due to fellow subsidiaries	–	3	–	3	3
Amounts due to intermediate holding companies	–	949,885	–	949,885	949,885
Loan from a minority shareholder – short term	–	27,045	–	27,045	27,045
Loan from a minority shareholder – long term	3.904%	–	111,951	111,951	103,711
		1,006,222	111,951	1,118,173	1,109,933

	Effective interest rate	12 months or less	1-2 years	Total undiscounted cash flows	Carrying amount at 31.12.2007
	%	HK$'000	HK$'000	HK$'000	HK$'000
2007					
Non-interest bearing					
Trade payables	–	12,811	–	12,811	12,811
Amounts due to fellow subsidiaries	–	53,108	–	53,108	53,108
Amounts due to intermediate holding companies	–	3,329,612	–	3,329,612	3,329,612
Loan from a minority shareholder – short term	3.904%	111,996	–	111,996	107,759
Loan from a minority shareholder – long term	3.314%	–	126,000	126,000	118,077
		3,507,527	126,000	3,633,527	3,621,367

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

B. SUBSEQUENT EVENTS

Except as disclosed in note 1 of Section A in relation to the Group Reorganisation, no significant events took place subsequent to 31 December, 2007

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2007.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following are the unaudited pro forma financial information on the Enlarged Group and the text of a comfort letter thereon received from the reporting accountant Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.

A. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA RESOURCES LAND LIMITED

Deloitte.
德勤

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Hong Kong

We report on the unaudited pro forma financial information of China Resources Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Smooth Day Group Limited and its subsidiaries (hereinafter collectively referred to as the "Target Group" and together with the Group hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the proposed acquisition of the entire issued share capital of Smooth Day Group Limited might have affected the financial information presented, for inclusion in Section A of Appendix III to the circular dated 27 June 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

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

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 HKICPA. 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 judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 December 2007 or at any future date.

Opinion

In our opinion:

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 June 2008

B. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group assuming that the proposed acquisition of the entire issued share capital of Smooth Day Group Limited (the "Acquisition") had been taken place on 31 December 2007 and that Smooth Day Group Limited had become a wholly-owned subsidiary of the Company on 31 December 2007. Smooth Day Group Limited is an investment holding company and its principal assets are its indirect interests in (i) the property development sites which comprise of the Beijing Mentougou Site (北京門頭溝地產項目), the Beijing Daxing Site (北京大興地產項目), the Wuhan Site (漢鋼地產項目), the Chongqing Site (重慶地產項目), the Shenyang Dingxianghu Site (瀋陽丁香湖項目) and the Dalian Xinghaiwan Site (大連星海灣項目) located in the Mainland Chinese (the "Property Group"); and (ii) the furniture manufacturing and sale business in the Mainland Chinese (the "Furniture Business"). The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared based on the published audited consolidated balance sheet of the Group as at 31 December 2007, which has been extracted from the Annual Report of the Company for the year ended 31 December 2007 as set out in Appendix I to the Circular and the audited combined balance sheet of Smooth Day Group Limited and its subsidiaries as at 31 December 2007, as extracted from the Accountants' Report set out in Appendix II to the Circular, adjusted in accordance with the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the Acquisition and (ii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma consolidated balance sheet is prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2007 and at any future date.

Unaudited pro forma consolidated balance sheet of the Enlarged Group – continued

AT 31 DECEMBER 2007

	The Group	Target Group	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 4*	*Note 5*	
	A	*B*	*C*	*D*	*E=A+B+C+D*
Non-current assets					
Goodwill	50,423	18,347	81,332		150,102
Property, plant and equipment	3,161,640	30,163			3,191,803
Prepaid lease payments	401,735	116,449		606,612	1,124,796
Rights to obtain land use rights	–	–		8,904,473	8,904,473
Investment properties	8,967,812	–			8,967,812
Interests in associates	593,600	–			593,600
Amount due from an associate	237,464	–			237,464
Available-for-sale investments	196,220	–			196,220
Deferred taxation assets	374,174	–			374,174
	13,983,068	164,959			23,740,444
Current assets					
Inventory of properties	21,953,226	825,482		1,194,784	23,973,492
Other inventories	12,734	21,924			34,658
Prepaid lease payments	923	3,029			3,952
Trade receivables, other receivables and deposits paid	6,766,924	2,575,446			9,342,370
Amounts due from customers for contract works	190,784	–			190,784
Amounts due from fellow subsidiaries	2,791	271,221			274,012
Amount due from an intermediate holding company	–	42,712			42,712
Amount due from immediate holding company	5,026	–			5,026
Tax prepaid	52,532	422			52,954
Cash and bank balances	4,516,801	206,165	(197,000)		4,525,966
	33,501,741	3,946,401			38,445,926
Current liabilities					
Trade and other payables	2,096,676	46,509			2,143,185
Deposits received from pre-sales of properties	3,573,992	–			3,573,992
Amounts due to customers for contract works	124,248	–			124,248
Amounts due to fellow subsidiaries	425	53,108			53,533
Amounts due to intermediate holding companies	–	3,329,612			3,329,612
Amount due to a minority shareholder	503,084	107,759			610,843
Bank borrowings – due within one year	2,712,212	–			2,712,212
Taxation payable	863,635	–			863,635
	9,874,272	3,536,988			13,411,260

	The Group	Target Group	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 4*	*Note 5*	
	A	*B*	*C*	*D*	*E=A+B+C+D*
Net current assets	23,627,469	409,413			25,034,666
Total assets less current liabilities	37,610,537	574,372			48,775,110
Capital and reserves					
Share/paid-in capital	402,520	74,942	(74,942)	67,580	470,100
Reserves	21,726,941	164,185	(40,726)	9,827,661	31,678,061
Equity attributable to equity holders of the Company	22,129,461	239,127			32,148,161
Minority interests	1,482,401	217,168		810,628	2,510,197
	23,611,862	456,295			34,658,358
Non-current liabilities					
Bank borrowings – due after one year	12,721,736	–			12,721,736
Amount due to a minority shareholder	–	118,077			118,077
Deferred taxation liabilities	1,276,939	–			1,276,939
	13,998,675	118,077			14,116,752
	37,610,537	574,372			48,775,110

Notes:

1. The consolidated balance sheet of the Group as at 31 December 2007 is extracted from the audited consolidated balance sheet of the Group as at 31 December 2007 as set out in Appendix I to the Circular.

2. The combined balance sheet of the Target Group as at 31 December 2007 is extracted from the audited combined balance sheet of Smooth Day Group Limited and its subsidiaries as at 31 December 2007 as set out in Appendix II to the Circular.

3. Pursuant to the sale and purchase agreement entered into among the Company, Gain Ahead Group Limited and China Resources (Holdings) Company Limited dated 6 June 2008, the total consideration of the Acquisition is HK$9,212.17 million. The consideration of HK$9,212.17 million comprises of the consideration of HK$9,015.17 million for the Property Group and the consideration of HK$197.00 million for the Furniture Business. The consideration of HK$9,015.17 million for the Property Group to be satisfied by issue and allotment of 675,799,850 new ordinary shares of the Company of HK$0.10 each at HK$13.34 per share (being the average closing price of shares of the Company in the ten trading days immediately preceding the date of the sale and purchase agreement as quoted on the Stock Exchange's daily quotation sheet for that period). The consideration of HK$197.00 million for the Furniture Business is satisfied by cash payable within three months from the date of completion.

4. The adjustment is to reflect (i) the consideration of HK$197.00 million paid for acquisition of Furniture Business; (ii) the elimination of the paid-in capital and reserves of Furniture Business of HK$74,942,000 and HK$40,726,000, respectively; and (iii) the goodwill arising from the acquisition of Furniture Business of HK$81,332,000; as if the acquisition of Furniture Business had been taken place on 31 December 2007.

   The goodwill is calculated assuming that the fair values of the identifiable assets, liabilities and contingent liabilities of Furniture Business at 31 December 2007 approximate to their carrying amounts. As the carrying amounts of the identifiable assets and liabilities of Furniture Business at the date of completion of the Acquisition may be substantially different from their carrying amounts as at 31 December 2007, the actual goodwill arising from the Acquisition may be different from the estimated goodwill as shown above.

5. The adjustment is to reflect (i) the issue and allotment of approximately 675,799,850 new ordinary shares of the Company of HK$0.10 at HK$13.34 each for acquisition of the Property Group; (ii) the capital contribution from controlling shareholder of approximately HK$1,003,530,000, which represented a discount of approximately 10.0% to the fair value of the Property Group as mentioned below; (iii) the elimination of the paid-in capital and reserves of the Property Group of US$8 and HK$123,459,000, respectively; (iv) the fair value adjustment on the prepaid lease payments, inventory of properties and the rights to obtain land use rights of the Property Group arising from the acquisition of approximately HK$606,612,000, HK$1,194,784,000 and HK$8,904,473,000 respectively; and (v) the share of the fair value adjustments on the prepaid lease payments and inventory of properties of a project site by a 45% minority interest of this project site, in aggregate, amounted to HK$810,628,000.

   The fair value for the Property Group as at 30 April 2008 have been arrived at on the basis of a valuation carried out on 30 April 2008 by CB Richard Ellis Limited, independent qualified professional valuers not connected with the Group, which includes the additional land costs paid by the Target Group of approximately RMB3,601.39 million for the period from 1 January 2008 to 30 April 2008. The valuation was arrived at by making reference to comparable sales evidence as available in the relevant markets. The total fair value is then allocated to the properties under development for investments purpose and inventories of properties based on the gross floor areas of the respective portion.

   On 30 April 2008, Smooth Day Group Limited capitalised the loans capital owed to Gain Ahead Group Limited, the immediate holding company of Smooth Day Group Limited and a wholly-owned subsidiary of China Resources (Holdings) Company Limited, in aggregate, amounting to approximately HK$7,735,442,000 by way of issue and allotment of three new ordinary shares of Smooth Day Group Limited of US$1.00 each to Gain Ahead Group Limited. On 29 May 2008, Smooth Day Group Limited further capitalised the loan capital owed to Gain Ahead Group Limited, amounting to approximately HK$123,971,000 by way of issue and allotment of one new ordinary share of Smooth Day Group Limited of US$1.00 each to Gain Ahead Group Limited.

   Had the aforesaid capitalisation of loans capital owned to Gain Ahead Group Limited been taken place on 31 December 2007, the loans from holding companies being capitalised would have been amounted to HK$3,329,612,000, and the fair value adjustments on the prepaid lease payments, inventory of properties and the rights to obtain land use rights of the Property Group arising from the acquisition would be amounted to approximately HK$379,015,000, HK$746,508,000 and HK$5,946,592,000 respectively.

   The capitalisation of the loans capital from Gain Ahead Group Limited have not been included in the pro forma adjustments as mentioned above. Given the hypothetical nature of unaudited pro forma financial information and it is prepared for illustrative purposes only, the above mentioned pro forma adjustments on fair value adjustments on the prepaid lease payments, inventory of properties and the rights to obtain land use rights did not reflect the actual fair value adjustments to be recorded by the Company upon completion of the Acquisition.

C. WORKING CAPITAL

Taking into account the financial resources, including internally generated funds and the banking facilities, available to the Enlarged Group, the directors of the Company, after due and careful consideration, are of the opinion that the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

D. STATEMENT OF INDEBTEDNESS

At the close of business on April 30, 2008, being the latest practicable date for the purpose of ascertaining information contained in this section headed "Statement of Indebtedness" prior to the printing of this circular, the Enlarged Group had outstanding bank borrowings of approximately HK$19,289 million and a loan from a minority shareholder of approximately HK$274 million. The bank borrowings of approximately HK$2,035 million were secured by investment properties, properties under development, prepaid lease payments and construction in progress with carrying amounts of HK$2,883 million, HK$2,080 million, HK$248 million and HK$264 million respectively.

As at 30 April 2008, guarantees are given to banks with respect to certain loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the relevant mortgage properties.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on April 30, 2008 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance lease or hire purchases commitments, guarantees or other material contingent liabilities.

The following is the text of a property valuation, prepared for the purpose of inclusion in this circular, received from CB Richard Ellis Limited, the independent property valuer, in connection with its valuation as at April 30, 2008 of the property interests of the Target Group:

CBRE
CB RICHARD ELLIS
世邦魏理仕

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香港灣仔港灣道十八號中環廣場三四零一室
電話852 2820 2800 傳真 852 2810 0830

27 June 2008

The Directors
China Resources Land Limited
Room 4301, China Resources Building,
26 Harbour Road,
Wanchai, Hong Kong

Dear Sirs,

RE: PORTFOLIO OF PROPERTIES IN THE PEOPLE'S REPUBLIC OF CHINA

We refer to the instruction from China Resources Land Limited (hereinafter refer to the "Company") for us to carry out a valuation of the property interests owned by China Resources (Holdings) Company Limited and its subsidiaries (hereinafter refer to the "Sales Group") in the People's Republic of China ("the PRC"), details of which are set out in the attached valuation certificates. We confirm that we have made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the individual property interests as at 30 April 2008 (the "date of valuation").

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities (the "Exchange Listing Rules") issued by the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors ("HKIS").

Our valuation is made on the basis of Market Value which is defined by the HKIS to mean "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."

In forming our opinion of the value of the property interests in Group I, which are held by the Sales Group under development in the PRC, we have valued the property interests on the basis that the properties will be developed and completed in accordance with the Sales Group's latest development schemes provided to us. We have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant markets. Comparable properties of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

Since the properties in Group I have started the construction works, we have added the construction costs and professional fees already incurred to the clear site value derived by Direct Comparison Approach to arrive at the capital value of the properties in existing state.

In valuing the property interests in Group II which are held by the Sales Group for future development, we have valued the property interests by the Direct Comparison Approach where comparison based on market price levels of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

Our valuation has been prepared in the capacity as "overseas consultants" and has been made on the assumption that the owner sells the properties on the open market without the benefit of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the properties were free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have relied to a considerable extent on the information given by the Company and have accepted the advice given to us on such matters as tenure, planning approvals, statutory notices, easements, development scheme, site and floor area, occupancy and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us, which are material to the valuation. We were also advised that no material factors have been omitted from the information supplied.

We have been provided with copies of the title documents relating to the properties, however due to the nature of the land registration system in the PRC, we cannot cause searches to be made on the title of the properties nor have we scrutinised all the original documents to verify ownership and encumbrances or to ascertain the subsequent amendments, if any, which may not appear on the copies handed to us. In forming our value to the properties in the PRC, we have relied on the legal opinion provided by the Company's PRC legal advisor, Global Law Office (the "PRC Legal Opinion").

In our valuation, we have assumed that the Company will make the outstanding payment to the relevant government authority and parties, and the government and the former land owners will deliver the sites to the Company according to the land grant contracts.

We have carried out physical inspection of the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation is on the basis that these aspects are satisfactory.

The property interests have been valued in Renminbi ("RMB").

We enclose herewith a summary of valuation and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Harry C. W. Chan
MHKIS MRICS MCIREA RPS(GP)
Senior Director
Valuation & Advisory Services

Note: Mr. Harry Chan is a Registered Professional Surveyor (General Practice), a member of the Hong Kong Institute of Surveyors, a member of Royal Institution of Chartered Surveyors and a member of China Institute of Real Estate Appraisers and Agents. He has over 16 years valuation experience in the PRC.

SUMMARY OF VALUES

	Property	Capital value in existing state as at 30 April 2008 *(RMB)*	Interest attributable to the Sales Group *(%)*	Capital value in existing state attributable to the Sales Group as at 30 April 2008 *(RMB)*
Group I – Property interests held by the Sales Group under development				
1.	A Development Site at south of Xinghaiwan No. 4 Road, Shahekou District, Dalian City, Liaoning Province, the PRC	1,550,000,000	55%	852,500,000
2.	A Development Site for Central Park at north of Qintai Road, west of Meizi Road, Hanyang District, Wuhan City, Hubei Province, the PRC	1,216,000,000	100%	1,216,000,000
			Sub-total	2,068,500,000

	Property	Capital value in existing state as at 30 April 2008 *(RMB)*	Interest attributable to the Sales Group *(%)*	Capital value in existing state attributable to the Sales Group as at 30 April 2008 *(RMB)*
Group II – Property interests held by the Sales Group for future development				
3.	A Development Site at Feng Village, Yongding Town, Mentougou District, Beijing City, the PRC	1,566,000,000	100%	1,566,000,000
4.	A Development Site at Plot 17 of Huang Village Satellite City North Area, Daxing District, Beijing City, the PRC	1,450,000,000	100%	1,450,000,000
5.	A Development Site at Clove City, Yuhong District, Shenyang City, Liaoning Province, the PRC	1,464,000,000	100%	1,464,000,000
6.	A Development Site at Section P of Dayangshi, Jiulongpo District, Chongqing City, the PRC	1,959,000,000	100%	1,959,000,000

	Property	Capital value in existing state as at 30 April 2008 *(RMB)*	Interest attributable to the Sales Group *(%)*	Capital value in existing state attributable to the Sales Group as at 30 April 2008 *(RMB)*
7.	An Industrial Site (Lot B0203028) at Jinding Town, Jinding Science and Technology Industrial Park, Zhuhai City, the PRC	16,500,000	100%	16,500,000
8.	An Industrial Site (Lot B0203026) at Jinding Town, Jinding Science and Technology Industrial Park, Zhuhai City, the PRC	39,200,000	100%	39,200,000
			Sub-total	6,494,700,000
	GRAND TOTAL:			**8,563,200,000**

VALUATION CERTIFICATE

Group I – Property interests held by the Sales Group under development

	Property	Description and tenure	Details of occupancy	Capital value in the existing state as at 30 April 2008
1.	A Development Site at south of Xinghaiwan No. 4 Road, Shahekou District, Dalian City, Liaoning Province, the PRC	The property comprises a development site ("the Site") having a site area of about 121,400 sq.m.. The property is for a proposed development comprising mass residential, villa, club house, hotel (Grand Hyatt Hotel), serviced apartment, commercial and other ancillary uses together with basement car park. The total gross floor area of the proposed development is about 312,164 sq.m.. Below is the floor area breakdown by uses.	Upon our inspection on 22 April 2008, the property was under construction.	RMB1,550,000,000 55% interest attributable to the Sales Group: RMB852,500,000

Use	Approx. Gross Floor Area *(sq.m.)*
Residential	176,938
Commercial	56,891
Sub-total:	**233,829**
Ancillary & Car park	78,335
Total:	**312,164**

The proposed development is currently in planning and construction stage and will be developed in three phases. The tentative completion date for the proposed development is in 2012.

The property is held under State-owned Land Use Certificates for a land use term of 70 years for residential use and 40 years for commercial use.

Notes:

1. In accordance with the State-owned Land Use Rights Grant Contract GF-2000-2601 dated 28 September 2006, the use and development of the site are subject to, inter alia, the following major terms and conditions:

Grantor	Grantee	Plot No. and address	Land Area
State-owned Land Resources and Housing Bureau of Dalian City, Liaoning Province, the PRC (中華人民共和國遼寧省大連市國土資源和房屋局)	China Resources (Dalian) Co., Ltd. (華潤(大連)有限公司)	(2005) – No. 6 West of Xinghai Square, south of Xinghaiwan No. 4 Road (Area B & C), Shahehou District, Dalian City	121,400 sq.m.

Land Use	Land Use Term	Plot Ratio
Residential &commercial	70 years for residential and 40 years for commercial from the date of the contract	2.0

2. Pursuant to the following State-owned Land Use Certificates, the land use rights of the site have been granted to the Group.

Land Use Rights Certificate Number	Date of Certificate	Subject Site Area *(sq.m.)*	Term / Date of Expiry
Da Guo Yong (2006) Di 03099 Hao	20 October 2006	23,700.4	27 September 2076
Da Guo Yong (2006) Di 03098 Hao	20 October 2006	97,700.4	27 September 2076

3. Construction Land Use Planning Permit Gui Di Zi (2006) 0091 Hao dated 22 September 2006 contains, inter alia, the following salient conditions:

Developer	:	China Resources (Dalian) Co., Ltd. (華潤(大連)有限公司)
Project Name	:	West of Xinghai Square, south of Xinghaiwan No. 4 Road (Area B & C)
Location	:	West of Xinghai Square, south of Xinghaiwan No. 4 Road
Site Area	:	121,400 sq.m. (Area B – 23,700 sq.m.) (Area C – 97,700 sq.m.)

4. Construction Works Planning Permit Jian Zi Di 210204200800019 Hao dated 2 February 2008 approves the project West of Xinghai Square, south of Xinghaiwan No. 4 Road (Area B & C).

5. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	Yes
Realty Title Certificate	Nil
Construction Land Use Planning Permits	Yes
Construction Works Planning Permit	Part
Construction Works Commencement Permit	Nil
Business Licence	Yes

6. Pursuant to 《關於投資開發大連市星海灣商住地產專案及天津街海昌名城改造項目之協議書》, the Sales Group has the option to acquire the Haichang Mingcheng project (海昌名城項目) at the sole discretion of the Sales Group.

7. The proposed use of the property is in compliance with the town planning use.

8. As advised by the Sales Group, the paid premium and compensation cost as at the date of valuation was approximately RMB 514,628,900 and RMB 300,000,000. As advised, the land costs have been fully settled.

9. As advised by the Sales Group, the incurred construction cost as at the date of valuation was approximately RMB 15,362,200 and the estimated outstanding construction cost to completion was approximately RMB1,883,325,622.

10. The capital value of the property as if completed as at 30 April 2008 would be RMB4,928,500,000.

11. The opinion of the legal adviser on the PRC laws states that:

    1. The State-owned Land Use Rights Grant Contract and the supplementary agreement to the State-owned Land Use Rights Grant Contract are legal, valid and legally binding on both parties. According to the State-owned Land Use Rights Grant Contract, the Dalian Municipal Bureau of State-owned Land Resources will not grant the land use rights of the subject sites to third parties.

    2. As advised by China Resources (Dalian) Co., Ltd., the paid premium as at the date of legal opinion is approximately RMB 814,628,900.

    3. Dalian Committee of Development and Reform has issued《2007年建設專案前期計劃通知單》(大發改投資[2007]函字1014號). According to the notice, the Group can start the preparation works of the project while construction works is not yet permitted. The Group should obtain the formal Project Approval (立項批覆) from Committee of Development and Reform.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in the existing state as at 30 April 2008
2.	A Development Site for Central Park at north of Qintai Road, west of Meizi Road, Hanyang District, Wuhan City, Hubei Province, the PRC	The property comprises a development site ("the Site") having a site area of about 123,820.07 sq.m.. It comprises three parcels of land named as Lot A, Lot B and Lot C with the site area of about 31,287.63 sq.m., 36,246.74 sq.m. and 56,285.70 sq.m. respectively. The property is for a proposed development (currently known as Central Park) comprising residential, commercial, clubhouse, ancillary uses and basement car park. The total gross floor area of the proposed development is about 423,315 sq.m.. Below is floor area breakdown by uses.	Upon our inspection on 21 April 2008, construction of Phase 1 (part of Lot A and Lot C) was in progress whilst the rest of the site was vacant.	RMB1,216,000,000 100% interest attributable to the Sales Group: RMB1,216,000,000

Use	Approx. Gross Floor Area *(sq.m.)*
Residential	330,599
Commercial	16,097
Sub-total:	**346,696**
Ancillary & Car park	76,619
Total:	**423,315**

The proposed development will be developed in three phases. Upon our inspection, Phase 1 of the development was under construction whilst Phase 2 and Phase 3 were in planning stage. The tentative completion date of the proposed development is in 2012.

The property is held under State-owned Land Use Rights Grant Confirmation for a land use term of 70 years for residential use and 40 years for commercial use.

Notes:

1. In accordance with the State-owned Land Use Rights Grant Confirmation Wu Tu Jiao Que Zi (2007) No.22 (武土交確字(2007)第22號) dated 3 August 2007 entered into between Wuhan Municipal Bureau of State Land and Resources and China Resources Land (Wuhan) Development Limited (華潤置地(武漢)發展有限公司) and Planning Design (Land Use) Condition, the use and development of the site, in which the property is located therein, are subject to, inter alia, the following major terms and conditions:

Lot No.	:	Lot A, Lot B, and Lot C
Land Area	:	Lot A: 31,287.63 sq.m., Lot B: 36,246.74 sq.m. Lot C: 56,285.70 sq.m.
Land Use	:	Residential and commercial use
Land Use Term	:	40 years for commercial use 70 years for residential use
Land Grant Fee	:	RMB1,353,000,000

2. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

Land Use Rights Grant Confirmation	Yes
State-owned Land Use Rights Grant Contract	Nil
State-owned Land Use Certificate	Nil
Realty Title Certificate	Nil
Construction Land Use Planning Permits	Nil
Construction Works Planning Permit	Nil
Construction Works Commencement Permit	Nil
Business Licence	Yes

3. The proposed use of the property is in compliance with the town planning use.

4. As advised by the Sales Group, the paid premium as at the date of valuation was RMB 947,700,000 and unpaid premium was approximately RMB 405,300,000. In our valuation, we have taken into account this amount in the capital value of the property.

5. As advised by the Sales Group, the incurred construction cost as at the date of valuation was approximately RMB 27,775,859 and the estimated outstanding construction cost to completion of the property was approximately RMB 1,303,000,000.

6. The capital value of the property as if completed as at 30 April 2008 would be RMB 3,670,000,000.

7. The opinion of the legal adviser on the PRC laws states that:

    1. The Group shall obtain Construction Land Use Planning Permits, Construction Works Planning Permits and Construction Works Commencement Permits before commencement of the construction works.

    2. As advised by China Resources Land (Wuhan) Development Limited, the paid premium is approximately RMB947,700,000.

VALUATION CERTIFICATE

Group II – Property interests held by the Sales Group for future development

	Property	Description and tenure	Details of occupancy	Capital value in the existing state as at 30 April 2008
3	A Development Site at Feng Village, Yongding Town, Mentougou District, Beijing City, the PRC	The property comprises a development site ("the Site") having a site area of about 201,496 sq.m.. It comprises three parcels of land named as Lot A, Lot B and Lot C with the site area of about 129,927 sq.m., 45,457 sq.m. and 26,112 sq.m respectively. The property is for a proposed development comprising residential, commercial uses and basement car park. The total gross floor area of the proposed development is about 348,048 sq.m.. Below is floor area breakdown by uses.	Upon our inspection on 15 April 2008, the site was vacant.	RMB1,566,000,000 100% interest attributable to the Sales Group: RMB1,566,000,000

Use	Approx. Gross Floor Area *(sq.m.)*
Residential	276,121
Commercial	10,000
Sub-total:	**286,121**
Ancillary & Car park	61,927
Total:	**348,048**

The proposed development will be developed in four phases with Phase 1 currently in planning stage. The tentative completion date of the proposed development is on 2013.

The property is held under State-owned Land Use Rights Grant Contract for a land use term of 70 years for residential use and 40 years for commercial use.

Notes:

1. In accordance with the State-owned Land Use Rights Grant Contract Jing Di Chu He Zi (2008) No.0099 (京地出合字(2008)第0099號) dated 15 February 2008 entered into between Beijing Municipal Bureau of State-owned Land Resources and China Resources Land (Beijing) Development Limited (華潤置地發展(北京)有限公司), the use and development of the site, in which the property is located therein, are subject to, inter alia, the following major terms and conditions:

Lot No.	:	A, B and C
Land Area	:	A: 129,927 sq.m., B: 45,457 sq.m. C: 26,112 sq.m.
Land Use	:	A for residential use B for residential use C for commercial and residential uses
Land Grant Fee	:	RMB1,500,000,000
Land Use Term	:	40 years for commercial use from the date of the contract 70 years for residential use from the date of the contract
Plot Ratio	:	Lot A: 1.0; Lot B: 2.0; Lot C: 2.5
Permitted GFA	:	Total above ground GFA no more than 295,700 sq.m.

2. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	Nil
Realty Title Certificate	Nil
Construction Land Use Planning Permit	Nil
Construction Works Planning Permit	Nil
Construction Works Commencement Permit	Nil
Business Licence	Yes

3. The proposed use of the property is in compliance with the town planning use.

4. As advised by the Sales Group, the paid premium and compensation cost as at the date of valuation was approximately RMB1,500,000,000. As advised, the land costs have been fully settled.

5. The capital value of the property as if completed as at 30 April 2008 would be RMB 3,628,000,000.

6. The opinion of the legal adviser on the PRC laws states that:

   1. The State-owned Land Use Rights Grant Contract and the supplementary agreement to the State-owned Land Use Rights Grant Contract are legal, valid and legally binding on both parties. According to the State-owned Land Use Rights Grant Contract, the Beijing Municipal Bureau of State-owned Land Resources will not grant the land use rights of the subject sites to third parties.

   2. As advised by China Resources Land (Beijing) Development Limited, the paid premium and compensation cost as at the date of valuation is approximately RMB1,500,000,000.

   3. There is no legal impediment to obtain the State-owned Land Use Certificate after obtaining Construction Land Use Planning Permits and settlement of all land premium, compensation cost and deed tax.

4. The project has not yet obtained Project Approval (立項批覆). The Group should obtain the Project Approval from Committee of Development and Reform.

5. The project has not yet obtained Environmental Approval (環境批覆). The Group should obtain the Environmental Approval from the Environment Protection Bureau.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in the existing state as at 30 April 2008
4	A Development Site at Plot 17 of Huang Village Satellite City North Area, Daxing District, Beijing City, the PRC	The property comprises a development site ("the Site") having a site area of about 123,690.31 sq.m. It comprises two parcels of land named as Lot A and Lot B with the site area of about 64,853.80 sq.m. and 58,836.51 sq.m. respectively. The property is for a proposed development comprising residential, retail and basement car park. The total gross floor area of the proposed development is about 267,115 sq.m.. Below is floor area breakdown by uses.	Upon our inspection on 15 April 2008, the site was vacant.	RMB1,450,000,000 100% interest attributable to the Sales Group: RMB1,450,000,000

Use	Approx. Gross Floor Area *(sq.m.)*
Residential	224,131
Commercial	3,192
Sub-total:	**227,323**
Ancillary & Car park	39,792
Total:	**267,115**

The proposed development will be developed in two phases with Phase 1 currently in planning stage. The tentative completion date of the proposed development is in September 2012.

The property is held under a State-owned Land Use Rights Grant Contract for a land use term of 70 years for residential use and 40 years for commercial use.

Notes:

1. In accordance with the State-owned Land Use Rights Grant Contract Jing Di Chu He Zi(2008) No.0096 (京地出合字(2008)第0096號) dated 15 February 2008 entered into between Beijing Municipal Bureau of State-owned Land Resources and China Resources Land Development (Beijing) Company Limited (華潤置地開發(北京)有限公司), the use and development of the site, in which the property is located therein, are subject to, inter alia, the following major terms and conditions:

Lot No.	:	A and B
Land Area	:	Lot A: 64,853.80 sq.m. Lot B: 58,836.51 sq.m.
Land Use	:	Lot A for residential use from the date of the contract Lot B for residential use from the date of the contract
Land Use Term	:	70 years for residential use
Land Grant Fee	:	RMB1,430,000,000
Permitted GFA	:	Total above ground GFA no more than 229,382 sq.m.
Plot Ratio	:	Lot A no more than 1.6 Lot B no more than 2.1

2. The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	Nil
Realty Title Certificate	Nil
Construction Land Use Planning Permits	Nil
Construction Works Planning Permit	Nil
Construction Works Commencement Permit	Nil
Business Licence	Yes

3. The proposed use of the property is in compliance with the town planning use.

4. As advised by the Sales Group, the paid premium and compensation cost as at the date of valuation was approximately RMB1,413,427,152 and unpaid premium was approximately RMB16,572,849. In our valuation, we have taken into account this amount in the capital value of the property.

5. The capital value of the property as if completed as at 30 April 2008 would be RMB 3,047,000,000.

6. The opinion of the legal adviser on the PRC laws states that:

   1. The State-owned Land Use Rights Grant Contract and the supplementary agreement to the State-owned Land Use Grant Contract are legal, valid and legally binding on both parties. According to the State-owned Land Use Rights Grant Contract, the Beijing Municipal Bureau of State-owned Land Resources will not grant the land use rights of the subject sites to third parties.

   2. As advised by China Resources Land Development (Beijing) Company Limited, the paid premium and compensation cost as at the date of valuation is approximately RMB1,413,427,152.

   3. There is no legal impediment to obtain the State-owned Land Use Certificate after obtaining Construction Land Use Planning Permits and settlement of all land premium, compensation cost and deed tax.

   4. The project has not yet obtained Project Approval (立項批覆). The Group should obtain the Project Approval from Committee of Development and Reform.

   5. The project has not yet obtained Environmental Approval (環境批覆). The Group should obtain the Environmental Approval from the Environment Protection Bureau.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in the existing state as at 30 April 2008
5.	A Development Site at Clove City, Yuhong District, Shenyang City, Liaoning Province, the PRC	The property comprises a development site ("the Site") having a site area of about 446,223.8 sq.m.. It comprises two parcels of land named as Lot 2006-010 and Lot 2007-082 with the site area of about 243,802.4 sq.m. and 202,421.4 sq.m. respectively. The property is for a proposed development comprising residential, commercial, townhouse, clubhouse, kindergarten and basement car park. The total gross floor area of the proposed development is about 1,025,300 sq.m.. Below is floor area breakdown by uses.	Upon our inspection on 16 April 2008, the property was generally vacant.	RMB1,464,000,000 100% interest attributable to the Sales Group: RMB1,464,000,000

Use	Approx. Gross Floor Area *(sq.m.)*
Residential	866,200
Commercial	25,000
Sub-total:	**891,200**
Ancillary & Car park	134,100
Total:	**1,025,300**

The proposed development will be developed in four phases and is currently in planning stage. The tentative completion date of the proposed development is in 2015.

The property is held under State-owned Land Auction Confirmation Letter for a land use term of 50 years for residential use and 40 years for commercial use.

Notes:

1. In accordance with the State-owned Land Auction Confirmation Letter Shen Tu Jiao Zi (2007)No. 58 (沈土交字(2007)58號) dated 26 October 2007 the land use rights of the property having a site area of approximately 243,787 sq.m. (according to the site drawing issued on 26 Feb 2008 the property has a site area of approximately 243,802.4 sq.m.) have been granted to Wealthy Growth Investments Limited (都興投資有限公司) for residential use for a term of 50 years and commercial use for a term of 40 years, at a consideration of RMB 755,739,700.

2. In accordance with the State-owned Land Auction Confirmation Letter Shen Tu Jiao Zi (2007)No. 59 (沈土交字(2007)59號) dated 26 October 2007 the land use rights of the property having a site area of approximately 202,389 sq.m. (according to the site drawing issued on 26 Feb 2008 the property has a site area of approximately 202,421.4 sq.m) have been granted to Wealthy Growth Investments Limited for residential use for a term of 50 years and commercial use for a term of 40 years, at a consideration of RMB 611,214,780.

3. The total site area is about 446,223.8 sq.m. according to the site drawings; however, the site area is about 446,176 sq.m. according to the State-owned Land Auction Confirmation Letters.

4. Construction Land Use Planning Permit Shen Gui Tu Zheng Zi 2008 Lian 0037 Hao (沈規土證字2008年0037號) dated 2 April 2008 contains, inter alia, the following salient conditions:

Developer	:	China Resources Land (Shengyang) Development Co., Ltd. (華潤置地(瀋陽)開發有限公司)
Project Name	:	Residential – 2nd Ring Road North – No. 2
Location	:	North of Baishan Road, Yuhong District, Shenyang
Site Area	:	293,919.89sq.m.

5. Construction Land Use Planning Permit Shen Gui Tu Zheng Zi 2008 Lian 0041 Hao (沈規土證字2008年0041號) dated 3 April 2008 contains, inter alia, the following salient conditions:

Developer	:	China Resources Land (Shengyang) Development Co., Ltd. (華潤置地(瀋陽)開發有限公司)
Project Name	:	Residential – 2nd Ring Road North – No. 3
Location	:	North of Baishan Road, Yuhong District, Shenyang
Site Area	:	240,746.61 sq.m.

6. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

Land Auction Confirmation Letter	Yes
State-owned Land Use Rights Grant Contract	Nil
State-owned Land Use Certificate	Nil
Realty Title Certificate	Nil
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Nil
Construction Works Commencement Permit	Nil
Business Licence	Yes

7. The proposed use of the property is in compliance with the town planning use.

8. As advised by the Sales Group, the paid premium as at the date of valuation was approximately RMB1,367,100,068 (including the premium of RMB 145,588 for additional GFA). As advised, the land costs have been fully settled.

9. The capital value of the property as if completed as at 30 April 2008 would be RMB4,423,000,000.

10. The opinion of the legal adviser on the PRC laws states that:

    1. The Group should obtain Construction Works Planning Permits and Construction Works Commencement Permits before the commencement of the construction works.

    2. As advised by China Resources Land Limited, the paid premium as at the date of valuation is approximately RMB1,367,100,068.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in the existing state as at 30 April 2008
6.	A Development Site at Section P of Dayangshi, Jiulongpo District, Chongqing City, the PRC	The property comprises a development site ("the Site") having a site area of about 465,686 sq.m.. The property is for a proposed development comprising residential, commercial (including retail, hotel, office, and apartment), schools and basement car park. The total above ground gross floor area of the proposed development is about 1,916,011 sq.m.. Below is floor area breakdown by uses.	Upon our inspection on 15 April 2008, part of the land reclamation has been completed, and the phase one of the development was vacant, whilst parts of the original factories were still operating.	RMB 1,959,000,000 100% interest attributable to the Sales Group: RMB1,959,000,000

Use	Approx. Gross Floor Area *(sq.m.)*
Residential	1,651,565
Commercial	242,610
Sub-total:	**1,894,175**
Ancillary & Car park	21,836
Total:	**1,916,011**

The proposed development is currently in planning stage and will be developed in eight phases. The tentative completion date for the proposed development is in 2018.

The property is held under State-owned Land Use Rights Certificates for a land use term of 50 years for residential use, 40 years for commercial use and 50 years for educational use.

Notes:

1. In accordance with the State-owned Land Use Rights Grant Contracts, the use and development of the site are subject to, inter alia, the following major terms and conditions:

Contract No.	:	Yu Di [2007] He Zi (section 9) Di 108 Hao 渝地(2007)合字(九區)第108號	Yu Di [2007] He Zi (section 9) Di 108 Hao 渝地(2007)合字(九區)第108號	Yu Di [2007] He Zi (section 9) Di 108 Hao 渝地(2007)合字(九區)第108號
Grantor	:	Chongqing State-owned Land Resources and Housing Bureau	Chongqing State-owned Land Resources and Housing Bureau	Chongqing State-owned Land Resources and Housing Bureau
Grantee	:	China Resources Land (Chongqing) Co., Ltd. (華潤置地(重慶)有限公司)	China Resources (Chongqing) Co., Ltd. (華潤(重慶)有限公司)	China Resources (Chongqing) Industry Co., Ltd. (華潤(重慶)實業有限公司)

Land Area	:	465,686 sq.m.
Land Use	:	Residential, Commercial, Educational
Plot Ratio	:	3.5-6
Land Use Term	:	50 years for residential use, from the date of the contract 40 years for commercial use, from the date of the contract 50 years for educational use from the date of the contract
Land Premium	:	RMB 1,900,000,000

2. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the site for the phase one development have been granted to the Group.

Land Use Rights Certificate Number	**Date of Certificate**	**Subject Site Area** *(sq.m.)*	**Term / Date of Expiry**
105D Fangdizheng 2007 Zi Di 00521 105D房地證2007字第00521號	27 August 2007	151,133.7	Commercial: May 2047 Residential: May 2057
105D Fangdizheng 2007 Zi Di 00480 105D房地證2007字第00408號	27 August 2007	1,163.4	Commercial: May 2047 Residential: May 2057
105D Fangdizheng 2008 Zi Di 00198 105D房地證2007字第00198號	29 April 2008	2,927.6	Commercial: May 2047 Residential: May 2057
105D Fangdizheng 2008 Zi Di 00197 105D房地證2007字第00197號	29 April 2008	13,746.8	Commercial: May 2047 Residential: May 2057
105D Fangdizheng 2008 Zi Di 00199 105D房地證2007字第00199號	29 April 2008	16,173.1	Commercial: May 2047 Residential: May 2057

3. In accordance with the Contract for land use rights apportionment, the use and development of the site are subject to, inter alia, the following major terms and conditions:

Contract No. : Hua Xing Yu Xie Zi [2007] 012-02 華星渝協字 [2007] 012-02

Party : China Resources Land (Chongqing) Co., Ltd. (華潤置地(重慶)有限公司)

Detail :

No.	Area *(sq.m)*	Plot ratio	Use
P05-1/03	86,840	3.5	Residential
P06-2-1/03	30,377	3.5	Residential
P06-1-2/03	36,814	3.5	Residential
Total	**154,031**		

Contract No. : Hua Xing Yu Xie Zi [2007] 012-02 華星渝協字 [2007] 012-02

Party : China Resources (Chongqing) Co., Ltd. (華潤(重慶)有限公司)

Detail :

No.	Area *(sq.m)*	Plot ratio	Use
P03-1-1/03	68,565	4.5	Residential
P03-2-1/03	40,287	4.5	Residential
P08-1/03	27,765	4.5	Residential
P08-3/03	29,198	1.0	School
P07-1/03	26,147	1.5	School
Total	**191,962**		

Contract No. : Hua Xing Yu Xie Zi [2007] 012-02 華星渝協字 [2007] 012-02

Party : China Resources (Chongqing) Industry Co., Ltd. (華潤(重慶)實業有限公司)

Detail :

No.	Area (sq.m)	Plot ratio	Use
P01-2/03	15,628	6.0	Retail
P09-1/03	17,220	6.0	Retail
P10-3/03	23,916	5.0	Retail/ Residential
P10-2/03	2,460	3.5	Residential
P01-1/03	45,134	6.0	Residential
P08-2/03	12,285	6.0	Residential
P09-4/03	3,050	–	NA
Total	**119,693**		

4. Construction Land Use Planning Permit Yu Gui Di Zheng (2007) Di 0482 (渝規地證(2008)字第0482號) dated 26 July 2007 contains, inter alia, the following salient conditions:

Developer	:	China Resources (Chongqing) Realty Co., Ltd. (華潤置地(重慶)有限公司)
Project Name	:	Reclamation project of old factory site of Jianshe Group
Location	:	Old factory site of Jianshe Group
Gross Floor Area	:	96,156 sq.m.

5. Construction Works Planning Permit 510202200803310101 dated 30 April 2008 contains, inter alia, the following salient conditions:

Construction party	:	China Resources Land (Chongqing) Co., Ltd. (華潤置地(重慶)有限公司)
Project Name	:	Foundation and slope supporting work of Region A phase one.
Location	:	Old factory area of Jianshe Group Xiejiagou Jiulongpo District

6. The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	Part
Realty Title Certificate	Nil
Construction Land Use Planning Permit	Part
Construction Works Planning Permit	Nil
Construction Works Commencement Permit	Nil
Business Licence	Yes

7. The proposed use of the property is in compliance with the town planning use.

8. As advised by the Sales Group, the paid premium as at the date of valuation was approximately RMB 700,000,000 and unpaid premium was approximately RMB 1,200,000,000. In our valuation, we have taken into account this amount in the capital value of the property.

9. The capital value of the property as if completed as at 30 April 2008 would be RMB12,349,000,000.

10. The opinion of the legal adviser on the PRC laws states that:

    1. The State-owned Land Use Rights Grant Contract and the supplementary agreement to the State-owned Land Use Rights Grant Contract are legal, valid and legally binding on both parties. According to the State-owned Land Use Rights Grant Contract, the Chongqing Municipal Bureau of State-owned Land Resources will not grant the land use rights of the subject sites eto third parties.

    2. The Group has paid land premium, other land grant fee and land planning control fee RMB700,000,000 in total.

    3. The project has obtained the Construction Works Planning Permit and the Construction Works Commencement Permit for the construction. There is no legal impediment to obtain the Realty Title Certificate after completion.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in the existing state as at 30 April 2008
7	An Industrial Site (Lot B0203028) at Jinding Town, Jinding Science and Technology Industrial Park, Zhuhai City, the PRC	The property comprises an industrial site ("the Site") having a site area of about 32,371.8 sq.m.. It is contiguous to Lot B0203026. The Site is currently erected with structures from 1 to 3 storeys. The total gross floor area of the aboveground structures erected on the Site has not been advised. These structures are planned to be demolished. New industrial premises are planned to be built on the Site. The property is held under a realty title certificate for a land use term of 50 years for industrial use.	The structures are occupied by third parties as production premises.	RMB16,500,000 100% interest attributable to the Sales Group: RMB16,500,000

Notes:

1. No title certificates of the aboveground structures have been provided, and hence, no value has been assigned to these structures.

2. In accordance with Zhuhai City State-owned Land Use Rights Grant Contract dated 3 January 2008 entered into between Zhuahi Xiangzhou Zhengfang Holdings Limited (珠海市香洲正方控股有限公司) and Zhuhai Logic Office Furniture Limited (珠海勵致洋行辦公傢俬有限公司), the use and development of the Site, are subject to, inter alia, the following major terms and conditions:

Land Area	:	32,370.18 sq.m. (plus aboveground structures of 6,800sq.m.)
Land Use	:	Industrial
Land Transfer Price	:	RMB16,186,000
Land Use Term	:	Expiry on 19 January 2054
Plot Ratio	:	1.0

3. In accordance with Realty Title Certificate Yue Fang Di Zheng Zi No.C5220399 (粵房地證字第C5220399號) dated 28 March 2008, the land use rights of the subject site (Lot No. B0203028) with a site area of approximately 32,371.8 sq.m. have been granted to Zhuhai Logic Office Furniture Limited for industrial use with a term expiring on 19 January 2054.

4. Construction Land Use Permit Zhuhai (2008) Zhun (Gaoxin) Zi No. 05 (建設用地批准書珠海市 (2008) 准(高新)字第05號) dated 22 April 2008 contains, inter alia, the following salient conditions:

Land User	:	Zhuhai Logic Office Furniture Limited
Project Name	:	Industrial
Location	:	Zhuhai Jinding Science and Technology Industrial Park
Permitted Land Use Area	:	32,370.18 sq.m.

5. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

Zhuhai City State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	Nil
Realty Title Certificate	Yes
Construction Land Use Permit	Yes
Construction Works Planning Permit	Nil
Construction Works Commencement Permit	Nil
Business Licence	Yes

6. The proposed use of the property is in compliance with the town planning use.

7. The opinion of the legal adviser on the PRC laws states that:

   1. According to Realty Title Certificate Yue Fang Di Zheng Zi No. C5220399 dated 28 March 2008 obtained by Zhuhai Logic Office Furniture Limited, the company has acquired the land use rights of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in the existing state as at 30 April 2008
8	An Industrial Site (Lot B0203026) at Jinding Town, Jinding Science and Technology Industrial Park, Zhuhai City, the PRC	The property comprises an industrial site ("the Site") having a site area of about 76,934.9 sq.m.. It is contiguous to Lot B0203028. The Site is currently erected with structures from 1 to 3 storeys. The total gross floor area of the aboveground structures erected on the Site has not been advised. These structures are planned to be demolished. The property is held under a realty title certificate for a land use term of 50 years for industrial use.	The structures are occupied by the Group as production premises.	RMB39,200,000 100% interest attributable to the Sales Group: RMB39,200,000

Notes:

1. No title certificates of the aboveground structures have been provided, and hence, no value has been assigned to these structures.

2. In accordance with Zhuhai City State-owned Land Use Rights Grant Contract dated 29 December 2003 entered into between Zhuahi Jinding (Taiwan) Industrial Park Investment and Development Management Company Limited (珠海金鼎(臺灣)工業園投資開發管理有限公司) and Zhuhai Logic Office Furniture Limited (珠海勵致洋行辦公傢俬有限公司), the use and development of the site, in which the property is located therein, are subject to, inter alia, the following major terms and conditions:

Land Area	:	76,939.67 sq.m.
Land Use	:	Industrial
Land Transfer Price	:	RMB7,693,967
Land Use Term	:	50 years from the issue of Construction Land Use Planning Permit from Zhuhai State Land Resource Bureau
Plot Ratio	:	1.0

3. In accordance with Realty Title Certificate Yue Fang Di Zheng Zi No.C2721242 (粵房地證字第C2721242號) dated 2 Jul 2004, the land use rights of the subject site with a site area of approximately 76,934.9 sq.m. have been granted to Zhuhai Logic Office Furniture Limited for industrial use with a term expiring on 27 April 2054.

4. Construction Land Use Permit Zhuhai (2004) Zhun (Xiang) Zi No. 33 (建設用地批准書珠海市 (2004) 准(香)字第33號) dated 28 April 2004 contains, inter alia, the following salient conditions:

Land User	:	Zhuhai Logic Office Furniture Limited
Project Name	:	Industrial
Location	:	Zhuhai Jinding Science and Technology Industrial Park
Pemitted Land Use Area	:	76,934.90 sq.m.
Permitted Floor Area	:	12,583.6 sq.m.

1. Temporary Construction Works Planning Permit 2001 Gui Lin Jian Zi No. 014 (臨時建設工程規劃許可證2001規臨建字014號) dated 5 March 2001 contains, inter alia, the following salient conditions:

Construction unit	:	珠海市國富冶煉廠
Construction Location	:	金鼎
Project	:	2 blocks of factory
Gross floor area	:	4,992 sq.m.
Valid date	:	27 February 2001 – 28 February 2002

2. Temporary Construction Works Planning Permit 2001 Gui Lin Jian Zi No. 033 (臨時建設工程規劃許可證2001規臨建字033號) dated 20 June 2001 contains, inter alia, the following salient conditions:

Construction unit	:	珠海市國富冶煉廠
Construction Location	:	金鼎國富冶煉廠內
Project	:	Warehouse
Gross floor area	:	2,000 sq.m.
Valid date	:	15 June 2001 – 14 June 2002

5. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

Zhuhai City State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	Nil
Realty Title Certificate	Yes
Construction Land Use Permit	Yes
Construction Works Planning Permit	Nil
Construction Works Commencement Permit	Nil
Business Licence	Yes

6. The proposed use of the property is in compliance with the town planning use.

7. The opinion of the legal adviser on the PRC laws states that:

    1. According to the Agreement entered into between Zhuhai Guofu Smelting Plant (珠海市國富冶煉廠) ("Party A") and Zhuhai Logic Office Furniture Limited ("Party B") on 19 May 2004, a consideration of RMB 570,000 was payable to Party A as compensation for the plant constructed by Party A. Party A should assist Party B to obtain the State-owned Land Use Certificate.

    2. According to Realty Title Certificate Yue Fang Di Zheng Zi No.C2721242 obtained by Zhuhai Logic Office Furniture Limited, the company has acquired the land use rights of the property.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, after the Capital Increase and the Completion, the share capital of the Company was and will be as follows:

		HK$
Authorised capital:		
5,000,000,000	Shares of HK$0.10 each	500,000,000
2,000,000,000	Shares created under the Capital Increase	200,000,000
7,000,000,000	Shares	700,000,000
Issued and fully paid:		
4,035,926,318	Shares of HK$0.10 each	403,592,632
675,799,850	Consideration Shares of HK$0.10 each	67,579,985
4,711,726,168	Shares	471,172,617

All existing Shares rank equally in all respects, including capital, dividends and voting rights. The Shares are listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS

a. As at the Latest Practicable Date, the interests and the short positions (within the meaning of the SFO) of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

i. Interest in the Shares and underlying Shares

Name	Long/short position	Number of Shares	Number of underlying Shares[1]	Capacity	Approximate percentage of interest[2]
					%
Song Lin	Long position	–	900,000	Beneficial owner	0.022
Wang Yin	Long position	5,230,000	–	Beneficial owner	0.130
Jiang Wei	Long position	892,000	–	Beneficial owner	0.022
Yan Biao	Long position	1,992,000	–	Beneficial owner	0.049
Liu Yan Jie	Long position	550,000	250,000	Beneficial owner	0.020
Li Fuzuo	Long position	750,000	250,000	Beneficial owner	0.025
Du Wenmin	Long position	790,000	250,000	Beneficial owner	0.026

Notes:

1. These refer to underlying Shares of share options granted pursuant to the share option schemes of the Company. Details are as follows:

Name	Capacity	Date of grant	Exercise Price	Option outstanding at the Latest Practicable Date
			HK$	
Song Lin	Beneficial owner	1/6/2005	1.23	900,000
Liu Yan Jie	Beneficial owner	1/6/2005	1.23	250,000
Li Fuzuo	Beneficial owner	1/6/2005	1.23	250,000
Du Wenmin	Beneficial owner	1/6/2005	1.23	250,000

2. This represents the percentage of the aggregate long positions in Shares and underlying Shares of the total issued share capital of the Company as at the Latest Practicable Date.

ii. Interest in the issued ordinary shares and underlying shares of China Resources Enterprise, Limited ("CRE"), an associated corporation of the Company

Name	Long/short position	Number of shares	Number of underlying shares	Approximate percentage of interest(1)
				%
Song Lin	Long position	1,700,000		0.071
Wang Yin	Long position	28,000	–	0.001
Jiang Wei	Long position	240,000	–	0.010
Yan Biao	Long position	500,000	–	0.021
Du Wenmin	Long position	100,000	–	0.004

Note:

(1) This represents the percentage of the aggregate long positions in shares and underlying shares of CRE to the total issued share capital of CRE as at the Latest Practicable Date.

iii. Interest in the issued ordinary shares and underlying shares of China Resources Logic Limited ("CR Logic"), an associated corporation of the Company

Name	Long/short position	Number of shares	Number of underlying shares	Approximate percentage of interest(1)
				%
Wang Yin	Long position	30,000	–	0.011
Li Fuzuo	Long position	51,000	–	0.018
Du Wenmin	Long position	54,000	–	0.019

Note:

(1) This represents the percentage of the aggregate long positions in shares and underlying shares of CR Logic to the total issued share capital of CR Logic as at the Latest Practicable Date.

iv. *Interest in the issued ordinary shares and underlying shares of China Resources Power Holdings Company Limited ("CR Power"), an associated corporation of the Company*

Name	Long position/ short position	Number of shares	Number of underlying shares[1]	Approximate percentage of interest[2]
				%
Song Lin	Long position	1,260,000	1,340,000	0.063
Wang Yin	Long position	346,000	420,000	0.018
Jiang Wei	Long position	1,040,000	560,000	0.038
Yan Biao	Long position	–	560,000	0.013
Liu Yan Jie	Long position	320,000	230,000	0.013
Li Fuzuo	Long position	480,000	270,000	0.018
Du Wenmin	Long position	270,000	180,000	0.011

Notes:

(1) These refer to underlying shares of share options granted pursuant to the share option schemes of CR Power. Details are as follows:

Name	Capacity	Date of grant	Exercise Price	Outstanding as at the Latest Practicable Date
			HK$	
Song Lin	Beneficial owner	12/11/2003[i]	2.8	800,000
		18/3/2005[ii]	3.99	540,000
Wang Yin	Beneficial owner	12/11/2003[i]	2.8	120,000
		18/3/2005[ii]	3.99	300,000
Jiang Wei	Beneficial owner	12/11/2003[i]	2.8	200,000
		18/3/2005[ii]	3.99	360,000
Yan Biao	Beneficial owner	12/11/2003[i]	2.8	240,000
		18/3/2005[ii]	3.99	320,000
Liu Yan Jie	Beneficial owner	12/11/2003[i]	2.8	50,000
		18/3/2005[ii]	3.99	180,000
Li Fuzuo	Beneficial owner	12/11/2003[i]	2.8	90,000
		18/3/2005[ii]	3.99	180,000
Du Wenmin	Beneficial owner	12/11/2003[i]	2.8	180,000

Notes:

(i) Options are exercisable in 5 tranches of 20% each, from October 6, 2004, 2005, 2006, 2007 and 2008 to October 5, 2013.

(ii) Options are exercisable in 5 tranches of 20% each, from March 18, 2006, 2007, 2008, 2009 and 2010 to March 17, 2015.

(2) This represents the percentage of the aggregate long positions in shares and underlying shares of CR Power to the total issued share capital of the CR Power as at the Latest Practicable Date.

v. *Interest in the issued ordinary shares and underlying shares of China Resources Microelectronics Limited ("CR Microelectronics"), an associated corporation of the Company*

Name	Long position/ short position	Number of shares	Number of underlying shares	Approximate percentage of interest[(1)] %
Song Lin	Long position	1,245,533	–	0.02
Wang Yin	Long position	540,000	–	0.009
Jiang Wei	Long position	537,614	–	0.009
Liu Yan Jie	Long position	380,810	–	0.006
Li Fuzuo	Long position	918,000	–	0.01
Du Wenmin	Long position	972,000	–	0.016

Note:

(1) This represents the percentage of the aggregate long positions in shares and underlying shares of CR Microelectronics to the total issued share capital of CR Microelectronics as at the Latest Practicable Date.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

b. As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since December 31, 2007 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

c. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

d. None of the Directors has any service contracts with the Company or any of its subsidiaries which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

e. As at the Latest Practicable Date, the Directors were not aware that any of the Directors or their respective associates has interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group which falls to be disclosed under the Listing Rules.

4. SUBSTANTIAL SHAREHOLDERS

As far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Nature of interest	Number of Shares	Percentage of the aggregate long position in Shares to the issued share capital of the Company as at the Latest Practicable Date %
Finetex International Limited ("Finetex")(1)	Beneficial owner	Beneficial interest	847,604,218	21.00
China Resources (Holdings) Company Limited ("CRH")(1)	Beneficial owner	Beneficial interest	125,300,000	3.10
Gain Ahead Group Limited ("Gain Ahead")	Beneficial owner	Beneficial interest	2,200,497,022	54.53
China Resources (Holdings) Company Limited(1)	Controlled company's interest	Corporate interest	3,048,101,240	75.53
CRC Bluesky Limited ("Bluesky")(1)	Controlled company's interest	Corporate interest	3,173,401,240	78.64
China Resources Co., Limited ("CRC")(1)	Controlled company's interest	Corporate interest	3,173,401,240	78.64
China Resources National Corporation ("CRNC")(1)	Controlled company's interest	Corporate interest	3,173,401,240	78.64

Notes:

(1) 847,604,218 and 2,200,497,022 Shares are directly held by Finetex and Gain Ahead respectively, CRH is the sole shareholder of Finetex and Gain Ahead. Moreover, 125,300,000 Shares are directly held by CRH, which is a 100% subsidiary of Bluesky, which is in turn owned as to 100% by CRC, which is in turn held as to 99.98% by CRNC. Thus, CRH, Bluesky, CRC and CRNC are deemed to be interested in an aggregate of 3,173,401,240 Shares.

(2) All the interests stated above represent long positions unless otherwise stated.

Save as aforesaid, as at the Latest Practicable Date, no other person had any interest in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

5. QUALIFICATION AND CONSENT OF EXPERTS

Taifook, the Independent Financial Adviser, is a corporation licensed to carry on Type 6 regulated activity under the SFO. Deloitte Touche Tohmatsu, the accountants, are qualified as Certified Public Accountants. CB Richard Ellis Limited, the Valuer, is the independent property valuer. Global Law Office are the PRC legal advisers.

Each of Taifook, Deloitte Touche Tohmatsu, CB Richard Ellis Limited and Global Law Office has given and has not withdrawn its written consent to the issue of this circular with copies of its letter and the references to its name included herein the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Taifook, Deloitte Touche Tohmatsu, CB Richard Ellis Limited and Global Law Office was not interested in any Share or share in any member of the Group, nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group. As at the Latest Practicable Date, none of the aforesaid parties had any direct or indirect interests in any assets which have since December 31, 2007 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by any member of the Group within two years immediately preceding the date of this circular:

(a) the Sale and Purchase Agreement;

(b) the conditional sale and purchase agreement dated December 3, 2007 entered into among the Company, Gain Ahead Group Limited and CRH in respect of the sale and purchase of the entire issued share capital of Speedy Gain Investment Limited (迅機投資有限公司);

(c) the conditional sale and purchase agreement dated June 22, 2007 entered into among the Company, Emax Capital Limited and CRH in respect of the sale and purchase of the entire issued share capital of Toprun Investments Limited; and

(d) the conditional sale and purchase agreement dated November 20, 2006 entered into among the Company, Finetax International Limited and CRH in respect of the sale and purchase of the entire issued share capital of Cosmart Investments Limited.

7. PROCEDURE FOR DEMANDING A POLL AT THE EGM

In accordance with the articles of association of the Company, a poll may be demanded at the EGM by:

a. the Chairman of the EGM; or

b. at least three members present in person or by proxy entitled to vote at the EGM; or

c. any member or members present in person or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the EGM; or

d. a member or members present in person or by proxy and holding Shares conferring a right to attend and vote at the EGM on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

8. LITIGATION

As at the Latest Practicable Date, as far as was known to the Directors, no member of the Group and the Target Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group and the Target Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since December 31, 2007, being the date of the latest published audited financial statements of the Company.

10. GENERAL

a. The secretary of the Company is Mr. Lee Yip Wah, Peter who is a practicing solicitor in Hong Kong and a consultant of Woo, Kwan, Lee & Lo.

b. The qualified accountant of the Company is Ms. Zhang Xiao Feng who is a member of the Hong Kong Institute of Certified Public Accountants.

c. The Hong Kong branch share registrar of the Company is Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, WanChai, Hong Kong.

d. The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the head office of the Company at Room 4301, 43rd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong up to and including, July 14, 2008 and at the EGM:

a. the memorandum and articles of association of the Company;

b. the annual reports of the Company for the two years ended December 31, 2006 and December 31, 2007, respectively;

c. letter from the Independent Board Committee as set out on pages 24 to 25 to this circular;

d. the letter from Taifook Capital Limited to the Independent Board Committee and the Independent Shareholders as set out on pages 26 to 49 of this circular;

e. the accountants' report prepared by Deloitte Touche Tohmatsu on the Target Group, the text of which is set out in Appendix II to this circular;

f. the accountants' report prepared by Deloitte Touche Tohmatsu in respect of the unaudited pro forma consolidated balance sheet of the Enlarged Group, the text of which is set out in Appendix III to this circular;

g. the property valuation report from the Valuer as set out in Appendix IV to this circular;

h. the written consents referred to in paragraph headed " Qualification and Consent of Experts" in this appendix;

i. a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

j. a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since December 31, 2007, being the date to which the latest published audited consolidated financial statements of the Company were made up.

華潤置地有限公司
China Resources Land Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1109)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Resources Land Limited (the "Company") will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on July 14, 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:

AS ORDINARY RESOLUTIONS

1. "**THAT**:

   the authorized share capital of the Company be and is hereby increased from HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each in the capital of the Company (″Shares″) to HK$700,000,000 divided into 7,000,000,000 Shares by the creation of an additional 2,000,000,000 new Shares, such additional new Shares to rank pari passu in all respects with the existing Shares, and that any one Director of the Company be and is hereby authorized to sign all such documents and to do all such acts or things for or incidental to such purpose".

2. "**THAT**:

   (a) the conditional sale and purchase agreement (the "Sale and Purchase Agreement") dated June 6, 2007 entered into between Gain Ahead Group Limited (the "Vendor"), China Resources (Holdings) Company Limited (the "Guarantor") and the Company (the "Purchaser") (a copy of which is produced to the meeting marked "A" and signed by the chairman of the meeting for the purposes of identification) in relation to, among other matters, the Acquisition (as defined in the circular (the "Circular") of the Company to its shareholders dated June 27, 2008) (a copy of the Circular is produced to the meeting marked "B" and signed by the chairman of the meeting for the purposes of identification) be and is hereby approved in all respects and all the transactions contemplated thereby including but not limited to the allotment and issue to the Vendor (or as it may direct) of 675,799,850 ordinary shares of HK$0.10 each in the capital of the Company at the issue price of HK$13.34 each credited as fully paid up and ranking pari passu with the existing issued shares of the Company (the "Consideration Shares") to the Vendor (or as it may direct) pursuant to the Sale and Purchase Agreement be and are hereby approved; and

(b) the Directors be and are hereby authorised to sign, execute, perfect and deliver all such documents and deeds, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of the Sale and Purchase Agreement, the allotment and issue of the Consideration Shares to the Vendor (or as it may direct), all other transactions contemplated under or incidental to the Sale and Purchase Agreement and all other matters incidental thereto or in connection therewith and to agree to the variation and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Acquisition and are in the best interests of the Company."

Hong Kong, June 27, 2008

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy needs not be a member of the Company.

2. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at Tricor Standard Limited, the Hong Kong branch share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.