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, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Properties Investment Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 736)

VERY SUBSTANTIAL ACQUISITION
AND
CONNECTED TRANSACTION

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Financial Adviser to China Properties Investment Holdings Limited

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A letter from the board of directors of the Company is set out from pages 6 to 31 of this circular. A letter from the independent board committee of the Company is set out on page 32 of this circular. A letter from the independent financial adviser containing its advice to the independent board committee and the independent shareholders of the Company is set out from pages 33 to 61 of this circular.

A notice convening the special general meeting of the Company to be held at Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong on 16 July 2009 at 10:30 a.m. or any adjournment is set out from pages 246 to 248 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting of the Company should you so wish.

This circular will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company for at least 7 days from the date of its posting.

30 June 2009

* *For identification purpose only*

CONTENTS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 11 June 2009 in relation to the Acquisition
"associate(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bridge Partners" or "Independent Financial Adviser"	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder
"Business Day(s)"	a day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their regular business hours
"Capital Increase"	the proposed increase in the authorised share capital of the Company from HK$35,000,000 to HK$300,000,000 by the creation of an additional 26,500,000,000 new Shares
"Citigain"	Citigain Holdings Limited (裕創集團有限公司*), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
"Company" or "Purchaser"	China Properties Investment Holdings Limited (中國置業投資控股有限公司*), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange, being the purchaser of the Acquisition under the Sale and Purchase Agreement
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules and the word "connected" shall be construed accordingly

"Consideration"	the total consideration of HK$300 million payable by the Purchaser to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement
"Conversion Price"	HK$0.20 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Sale and Purchases Agreement and the terms of the Convertible Bonds
"Conversion Share(s)"	1,300,000,000 new Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to all the Convertible Bonds at the initial Conversion Price
"Convertible Bonds"	the convertible redeemable bonds in the principal amount of HK$260 million to be issued by the Company to the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately after the Completion
"Feasibility Report"	a feasibility report prepared by WBB Engineering Consultants, an independent qualified technical consultant engaged by the Company, regarding the future business of the Mining Company
"Gold Trinty" or "Vendor"	Gold Trinity International Limited (金順國際有限公司*), the sole shareholder of the Target Company and an investment holding company incorporated in the British Virgin Islands with limited liability, being the vendor of the Acquisition under the Sale and Purchase Agreement
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Han
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders in respect of the Acquisition and the terms of the Sales and Purchase Agreement
"Independent Shareholders"	Shareholders (if any) other than those who have material interests in the Acquisition

"Independent Third Parties"	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
"Last Trading Day"	4 June 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of the Announcement
"Latest Practicable Date"	26 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 June 2010 or such later date as the relevant parties to the Sale and Purchase Agreement may agree in writing
"Mine"	克什克騰旗大地礦業有限責任公司永勝礦區銅、鉬、鉛、鋅、銀礦, a copper and molybdenum mine located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC* (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮)
"Mining Company"	克什克騰旗大地礦業有限責任公司 (Keshi Ketengqi Great Land Mine Industries Company Limited*), a company incorporated in the PRC with limited liability and is owned as to 60% by Shanghai Jiyi
"Mining License"	the mining license no. 1500000820591 held by the Mining Company under which the Mining Company shall have the right to conduct mining and exploitation works for copper and molybdenum in the Mine
"Mr. Ba"	Mr. Ba Ri Si (巴日斯), one of the shareholders of Shanghai Jiyi
"Mr. Han"	Mr. Han Wei (韓衛), the ultimate sole beneficial owner of the Target Company
"Mr. Zhang"	Mr. Zhang Lei (張磊), one of the shareholders of Shanghai Jiyi
"Placing"	the top-up placing of 350,000,000 Shares pursuant to the placing and subscription agreement, and the supplemental agreement dated 20 May 2009 and 22 May 2009 respectively

"PRC"	the People's Republic of China
"Reserve Report"	內蒙古自治區克什克騰旗永勝礦區銅鉬多金屬礦地質評價報告 prepared by Jiangxi Non-ferrous Geology Exploration – Second Team* (江西有色地質勘查二隊) dated April 2009
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement in relation to the Acquisition entered into between the Purchaser and the Vendor on 4 June 2009
"Sale Shares"	one share of US$1 each in the issued share capital of the Target Company, representing its entire issued share capital as at the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	a special general meeting of the Company to be convened on 16 July 2009 to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholders and the Capital Increase by the Shareholders
"Shanghai Jiyi"	上海吉譯實業有限公司 (Shanghai Jiyi Shiye Limited Company*), a company incorporated in the PRC with limited liability and a 85% owned subsidiary of Shanghai Zhuoheng
"Shanghai Zhuoheng"	上海卓衡實業有限公司 (Shanghai Zhuoheng Shiye Limited Company*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shenzhen Dingyu
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Mortgage"	the share mortgage entered into between the Company and the Vendor on 4 June 2009 in relation to the Sale Shares for due and punctual performance and observance by the Vendor of all the obligations of the Vendor, and the Target Company as contained in the Sale and Purchase Agreement
"Shenzhen Dingyu"	鼎裕投資諮詢(深圳)有限公司 (Dingyu Investment Consulting (Shenzhen) Limited Company*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Citigain

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
"Target Company"	Main Pacific Group Limited (萬豐集團有限公司*), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor
"Target Group"	comprising the Target Company, Citigain, Shenzhen Dingyu, Shanghai Zhuoheng, Shanghai Jiyi and the Mining Company
"US$"	United States dollar(s), the lawful currency of the United States
"Valuation"	the fair value of the Mine of HK$820 million as at 30 April 2009 as estimated by the Valuer
"Valuation Report"	the valuation report prepared by the Valuer regarding the fair value of the Mine as at 30 April 2009
"Valuer"	BMI Appraisal Limited, an independent valuer
"Xinyuan Mining"	克什克騰旗鑫元礦業有限責任公司 (Keshe Ketengqi Xinyuan Mining Limited Company*), a company incorporated in the PRC with limited liability and is one of the shareholders of the Mining Company
"km^2"	square kilometer(s)
"%"	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK$ using the exchange rate of RMB1.00:HK$1.148. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

* *For identification purpose only*

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 736)

Executive Directors:
Ms. Yu Wai Fong
Mr. Au Tat On

Independent non-executive Directors:
Mr. Lam Man Yui
Mr. Lai Wai Yin, Wilson
Ms. Cao Jie Min

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 2001, 20/F.
Lippo Centre, Tower Two
89 Queensway
Hong Kong

30 June 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

Reference is made to the Announcement regarding the Sale and Purchase Agreement and the Acquisition.

Besides that, the Company also proposes to increase the existing authorised share capital of the Company.

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreement, the Acquisition and the Capital Increase; (ii) the recommendation from the Independent Board Committee in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; and (iv) a notice of SGM at which resolutions will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement (including the issue of the Convertible Bonds), the Acquisition and the Capital Increase.

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date:

4 June 2009 (after trading hours)

Parties involved:

Purchaser

the Company

Vendor

Gold Trinity, being the sole shareholder of the Target Company, is an investment holding company incorporated in the British Virgin Islands on 9 January 2009 with limited liability. As at the Latest Practicable Date, the Vendor was legally and beneficially owned as to 100% by Mr. Han.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Han was a legal representative and a director of an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. The Company has been discussing with various parties from time to time to explore any suitable acquisition opportunities for the Company to participate in the PRC mining industry and the Acquisition was an investment opportunity considered by the management of the Company as proposed by the Vendor, the shareholder of which is Mr. Han, a legal representative and a director of an indirect wholly-owned subsidiary of the Company.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor, Mr. Han and their respective associates did not hold any Shares or other convertible securities in the Company as at the Latest Practicable Date.

Guarantor

Mr. Han

Mr. Han as the primary obligor (but not merely as a guarantor), as continuing security, unconditionally and irrevocably guarantees to the Purchaser that the Vendor shall pursuant to the Sale and Purchase Agreement duly and punctually perform and observe its obligations under the Sale and Purchase Agreement and pay all the money payable by the Vendor. The Guarantor also undertakes to the Purchaser that the Guarantor shall procure the Vendor to observe its obligations (whether expressed or implied) under the Sale and Purchase Agreement, including but not limited to the guarantee given by the Vendor.

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration. The Sale Shares represent the entire equity interest in the Target Company. The shareholding structure of the Target Group is included under the section headed "Shareholding Charts" of this circular. The principal asset of the Target Group is the Mining License held by the Mining Company.

The Directors also confirmed that no prior transaction between the Group and the Vendor and/or its associates would require aggregation under Rule 14.22 of the Listing Rules.

The original cost of the Target Group (inclusive of capital and purchase cost of the Target Group contributed) to the Vendor (the 85% equity interest in Shanghai Jiyi was purchased by the Vendor in March 2009) is estimated to be of about RMB18.37 million (equivalent to approximately HK$21.09 million). As advised by the Vendor, at the time of its acquisition of Shanghai Jiyi, no updated reserve report and/or feasibility report were prepared to ascertain the possible reserves and production amounts of the Mine. For this reason, the original cost of the Target Group to the Vendor is much lower than the Consideration.

Since the Board did not have the opportunities to access to the original vendor of Shanghai Jiyi with an objective to acquire the Mining Company by the Company prior to the commencement of negotiation between the Company and the Vendor in relation to the Acquisition, the Company was unable to acquire the Target Group directly from the original vendor.

The Consideration:

Pursuant to the Sale and Purchase Agreement, the Consideration of HK$300 million shall be settled by the Company in the following manner:

(i) HK$40 million by cash payable by the Company within 10 Business Days from the date of the signing of the Sale and Purchase Agreement or 10 Business Days from the date of successful registration of the Share Mortgage (whichever is later) or such other date agreed by the parties to the Sale and Purchase Agreement, as refundable deposit; and

(ii) after deduction of the said deposit, the remaining HK$260 million by the issue of the Convertible Bonds in the principal amount of HK$260 million at the Conversion Price of HK$0.20 per Conversion Share within one month upon Completion to the Vendor.

The cash portion of the Consideration of HK$40 million was paid by the Company to the Vendor on 5 June 2009 and was financed by the internal resources of the Group.

Basis of the Consideration:

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations, taking into account the followings:

(i) the preliminary valuation on the Mine of approximately HK$820 million as at 30 April 2009 by an independent Valuer, as set out in the draft Valuation Report;

(ii) the latest market statistics and future prospects of the non-ferrous metals industry; and

(iii) the payment method of the Consideration.

Based on the Valuation Report provided by the Valuer, the valuation on the fair value of the Mine was HK$820 million as at 30 April 2009. The Valuer has applied the income approach, which was prepared with reference to the Feasibility Report and the Reserve Report for the Valuation. Further details of the Feasibility Report and the Reserve Report are set forth in latter sections of this circular.

The Valuation Report, including but not limited to the assumptions used in the Valuation, is contained in Appendix VI to this circular. The Board has reviewed the principal basis and assumptions upon which the Valuation is based and is of the view that the Valuation has been made after due and careful enquiry.

All relevant material information in relation to the Feasibility Report and the Reserve Report has already been disclosed in the Valuation Report.

Having considered that (i) the Acquisition will provide an opportunity for the Group to gain access to the non-ferrous metals industry with an aim of broadening the income base of the Group, and thereby enhancing the Group's future financial performance and profitability; (ii) the latest market statistics and future prospects of the non-ferrous metals industry as set forth in the latter section of this circular; (iii) the Consideration represents a discount of (a) approximately 28.26% to HK$418.20 million of the Valuation, being the 51% effective interest in the Mining Company; (b) or approximately 4.35% to HK$313.65 million, being the effective profit sharing ratio of 45:55 as set forth in the latter section of this circular; and (iv) a significant portion of the Consideration shall be satisfied by the issue of the Convertible Bonds, the Board consider that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Board composition of the Mining Company:

The Mining Company is currently managed by a board of three directors. Shanghai Jiyi and Xinyuan Mining are empowered to appoint two and one of the directors of the Mining Company respectively. Upon Completion, the Mining Company will become a 51% indirectly-owned subsidiary of the Company and the Company shall have majority control over the board of directors of the Mining Company.

Conditions precedent:

Completion of the Sale and Purchase Agreement is conditional upon certain conditions being fulfilled or waived in writing, including but not limited to:

(i) the Company having obtained a PRC legal opinion (in such form and substance satisfactory to the Company) from a qualified PRC legal adviser appointed by the Company. The PRC legal opinion should confirm, inter alia, the legality of the Sale and Purchase Agreement and of the Company's interest in the Target Group upon Completion;

(ii) the Company having obtained a valuation report from an independent valuer (in such form and substance satisfactory to the Company), showing that the fair value of the Mine is not less than HK$820 million);

(iii) the Company, its agent or professional advisers being satisfied with the results of the due diligence review on the Target Group (in relation to legal, accountings, finance, operation or any other matters in the Company's opinion being important);

(iv) the Vendor having obtained all approvals, confirmations, waiver or consents in respect of the Sale and Purchase Agreement and all transactions contemplated thereunder under applicable laws and regulations from the relevant authorities having jurisdiction over the Vendor or other relevant third parties (if so required by the relevant legislations);

(v) the Company having obtained a report on the reserve of the Mine (in such form and substance satisfactory to the Company) from a qualified expert appointed by the Company;

(vi) the Company having obtained a feasibility report of the business and operation of the Mining Company from an independent and professional adviser (in such form and substance to its satisfaction);

(vii) the Target Company has the right to control over the Mining Company, including but not limited to the right to appoint over half of the number of directors to the board of directors of the Mining Company and has the right to control over the board of directors of the Mining Company;

(viii) the approval from the Bermuda Monetary Authority to allot and issue the Conversion Shares (if required);

(ix) the Independent Shareholders having in the SGM approved the Sale and Purchase Agreement, the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds and all transactions contemplated thereunder in accordance of the bye-laws of the Company and the Listing Rules;

(x) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Conversion Shares whether subject to conditions or not;

(xi) the Company being satisfied, from the date of signing of the Sale and Purchase Agreement and at any time before Completion, that the representations, warranties and undertakings given under the Sale and Purchase Agreement remain true, accurate, not misleading or in breach in any material respect and that no event have suggested that there were any material change in such representations, warranties and undertakings; and

(xii) the Company not having discovered or known that from the date of signing of the Sale and Purchase Agreement, there being any abnormal operations or any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Group.

The Purchaser shall have the right to waive in writing the conditions as mentioned above (save as and except for conditions (viii), (ix) and (x)). Save as aforesaid, if the conditions precedent as set out in the Sale and Purchase Agreement have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Sale and Purchase Agreement will terminate.

As at the Latest Practicable Date, conditions (ii), (v) and (vi) as set out above had been fulfilled.

Completion:

Completion shall take place within 10 Business Days (or such later date and time as agreed by the Company and the Vendor in writing) from the date of the written notice of Completion issued by the Company. Such written notice will only be issued by the Company where the conditions precedent to the Sale and Purchase Agreement set out above have been satisfied or waived by the Purchaser in writing (if possible).

The Company has no present intention to change the composition of the Board upon Completion and the Directors confirmed that the Company does not intend to appoint Mr. Han and/or his associates as Director(s) as a result of the Acquisition. Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to the Company that he and his associates shall not appoint any person as the Director(s) within one year from the Completion.

The Convertible Bonds:

Pursuant to the Sale and Purchase Agreement, an amount of HK$260 million out of the Consideration is to be satisfied by the issue of the Convertible Bonds at the Conversion Price of HK$0.20 per Conversion Share by the Company to the Vendor (or its nominee(s)) within one month upon Completion.

The principal terms of the Convertible Bonds are summarised as follows:

Issuer

The Company

Bondholder(s)

The Vendor (or its nominee(s))

Principal amount

HK$260 million

Maturity date

The Business Day falling on the third anniversary from the issue date of the Convertible Bonds.

Interest

3% per annum

Transferability

The Convertible Bonds will be freely transferable or assigned (in integral multiple of HK$1,000,000 or such lesser amount representing the entire outstanding principal amount of the Convertible Bonds) to transferee other than a connected person of the Company, which is subject to the consent of the Company and is in compliance with the Listing Rules.

Voting rights

The holder(s) of the Convertible Bonds is/are not entitled to attend or vote at any meetings of the Company.

Conversion rights

Holder(s) of the Convertible Bonds has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$1,000,000 or integral multiples thereof) on any Business Day after the date of issuance of the Convertible Bonds up to the maturity date, provided that (i) holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules.

Conversion Price

The initial Conversion Price of HK$0.20 per Conversion Share (subject to the usual provisions for adjustments arising from events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues) represents:

(i) a premium of approximately 53.85% over the closing price of HK$0.13 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 41.84% over the closing price of HK$0.141 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 38.89% over the average of the closing prices of HK$0.144 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 37.93% over the average of the closing prices of HK$0.145 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 60.45% over the unaudited consolidated net asset value per Share of approximately HK$0.125 (based on the unaudited consolidated net asset value of the Group of approximately HK$219,845,000 as at 30 September 2008 and 1,763,698,191 issued Shares prior to the completion of the Placing).

The Board confirmed that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account the stock market condition and the prevailing market price of the Shares.

Conversion price reset

The conversion price of the Convertible Bonds can be reset (if necessary) 12 times (i.e. on the last Business Day of each month) in each calendar year (the "**Reset Date**") before the date of its maturity in the event that the average closing price of the Shares as quoted on the Stock Exchange for the last three consecutive trading days up to and including the Reset Date (the "**Reset Price**") is lower than the then conversion price of the Convertible Bonds. When such situation takes place, the then conversion price of the Convertible Bonds will be adjusted downwards to the Reset Price with effect from the next Business Day, and in any case the reset conversion price should not be less than the par value of the Share of HK$0.01 each. The Company shall issue an announcement in the event that there are any changes in the initial Conversion Price (and any subsequent changes in the conversion price of the Convertible Bonds) in the future to comply with the relevant requirements under the Listing Rules.

The Board confirmed that the price reset mechanism of the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor.

The Board is willing to accept the price reset mechanism of the Conversion Price after taking into account that:

(a) The Board has carefully studied and reviewed the share price performance of some Hong Kong listed companies after those listed companies announced their business plans to diversify the existing business into the mining industry. With this being the case, the Board is optimistic about the future prospects of the Enlarged Group upon Completion. The Acquisition may improve the intrinsic value of the Enlarged Group, which may create positive effects on the Share price. In this circumstance, the price reset mechanism would not be applicable to the Company; and

(b) The Company is willing to pay HK$40 million as the cash portion for the settlement of the Consideration, representing only approximately 13.33% of the Consideration, and the remaining balance of the Consideration will be settled by the issue of the Convertible Bonds with a term of maturity of three years. Such payment term as agreed by the Company and the Vendor is similar to a vendor financing arrangement. Without such vendor financing arrangement, the Company does not have sufficient internal resources to finance the Acquisition and is unable to participate in the PRC mining industry.

In return for the Vendor to agree such payment term, the Vendor requested the Company to provide some assurance relating to the performance of the Share price and/or the Company's repayment ability. In view of that the Board and/or the Company is not in the position to (i) assure the Share price performance after Completion; and/or (ii) guarantee that the Company can obtain the funds to repay the Convertible Bonds within three years (despite the fact that the Board will use its best efforts to approach any potential investors, bankers or partners to support the Company by equity and/or debt financing after the Latest Practicable Date), the Board finally reached an agreement with the Vendor to include the said conversion price reset mechanism in the terms of the Convertible Bonds to assure the Vendor to a certain extent.

In addition, in light of that (i) the Convertible Bonds would not create a substantial capital expenditure of the Group immediately upon Completion; and (ii) the initial Conversion Price represents a premium to of approximately 60.45% over the unaudited consolidated net asset value per Share of approximately HK$0.125 (based on the unaudited consolidated net asset value of the Group of approximately HK$219,845,000 as at 30 September 2008 and 1,763,698,191 issued Shares prior to the completion of the Placing), the Board considers the price reset mechanism of the Conversion Price to be fair and reasonable.

Redemption

Holder(s) of the Convertible Bonds has/have the right to require the Company to redeem the Convertible Bonds upon the occurrence of events of default as stipulated in the terms of the Convertible Bonds.

The Company may at any time before the maturity date with the consent of the holder(s) of the Convertible Bonds redeem in whole or in part the Convertible Bonds. Unless previously converted, purchased and cancelled, the Company shall pay the outstanding principal amount under the Convertible Bonds by cash on the date of maturity of the Convertible Bonds.

Ranking of the Conversion Shares

The Conversion Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares.

Application for listing

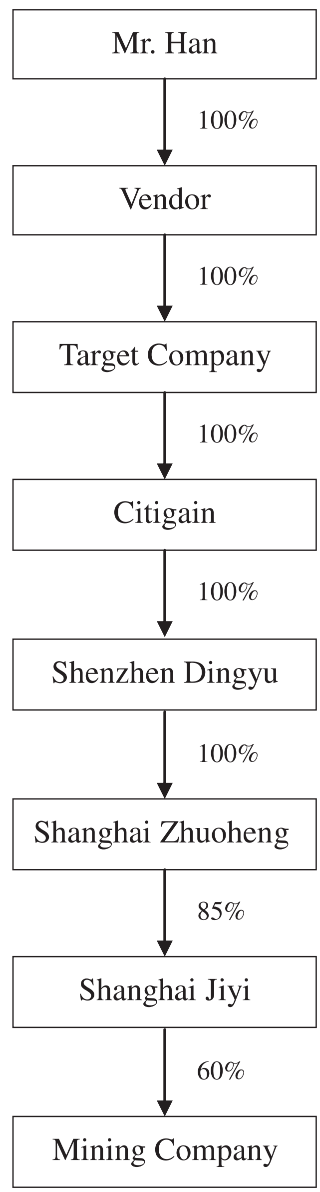
Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in the Conversion Shares. The Conversion Shares shall be allotted and issued under a specific mandate.

Assuming full conversion of all Convertible Bonds at the initial Conversion Price, 1,300,000,000 Conversion Shares will be issued, representing (i) approximately 61.50% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 38.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds.

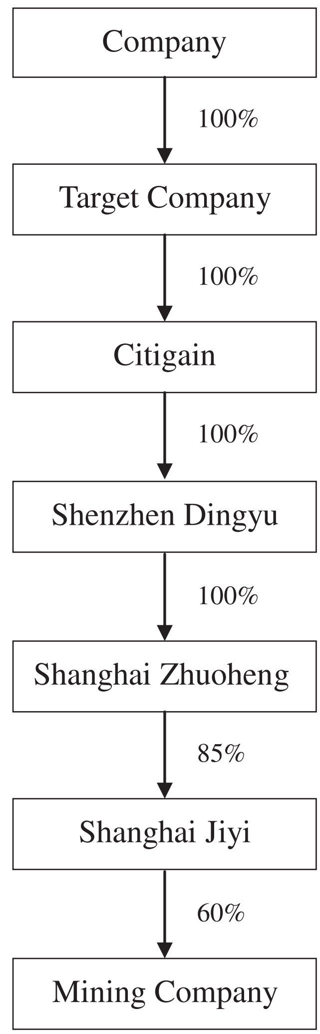
SHAREHOLDING CHARTS

The following charts show (i) the shareholding structure of the Target Group as at the Latest Practicable Date; and (ii) the shareholding structure of the Enlarged Group immediately upon Completion:

Simplified shareholding structure as at the Latest Practicable Date



Simplified shareholding structure immediately upon Completion



CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price; (iii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the minimum Conversion Price of HK$0.01; and (iv) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, subject to the conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds:

Shareholders	**As at the Latest Practicable Date**		**After the allotment and issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price**		**After the allotment and issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the minimum Conversion Price of HK$0.01** *(Note 1)*		**After the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.90% of the issued share of capital the Company** *(Note 2)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Ms. Yu Wai Fong, the Director	512,630,358	24.25	512,630,358	15.02	512,630,358	1.82	512,630,358	17.00
The Vendor (or its nominee(s))	–	–	1,300,000,000	38.08	26,000,000,000	92.48	901,563,137	29.90
Public Shareholders	1,601,067,833	75.75	1,601,067,833	46.90	1,601,067,833	5.70	1,601,067,833	53.10
Total	**2,113,698,191**	**100**	**3,413,698,191**	**100**	**28,113,698,191**	**100**	**3,015,261,328**	**100**

Notes:

1. For illustrative purpose only, in the event that the Conversion Price is reset to HK$0.01 based on the terms of the Convertible Bonds, the maximum number of the Conversion Shares to be issued upon full conversion of the Convertible Bonds would be 26,000,000,000 Shares, representing (i) approximately 1,230.07% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 92.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the minimum conversion price of HK$0.01.

2. The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds, holder(s) of the Convertible Bonds shall have the right to convert the Convertible Bonds into Conversion Shares provided that (i) holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules.

3. As at the Latest Practicable Date, the Company had 70,540,000 outstanding share options granted under the share option scheme of the Company, carrying rights to subscribe for 70,540,000 Shares. Save for the aforesaid share options, the Company did not have any outstanding warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date. The shareholding structure shown in the above table has assumed no exercise of such share options.

Given the terms and conditions of the Sale and Purchase Agreement and the terms of the Convertible Bonds as mentioned above, there will not be a change in control of the Company as a result of the Acquisition.

The Company shall comply with the public float requirements, being not less than 25% of the total issued share capital of the Company under Rule 8.08 of the Listing Rules, at all times and take appropriate steps/measures to ensure sufficient public float of the Shares (if necessary).

DILUTION EFFECT OF THE SHAREHOLDERS

The Company is required to make disclosure relating to change in its issued share capital (including any conversion of the Convertible Bonds) in the Next Day Disclosure Return(s) and Monthly Return(s) in compliance with Rules 13.25A and 13.25B of the Listing Rules as and when required.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 20 June 2006 with limited liability and is wholly-owned by the Vendor. The Target Company has not recorded any turnover since its incorporation.

Citigain

Citigain is an investment holding company incorporated in Hong Kong on 9 June 2006 with limited liability and is wholly-owned by the Target Company. Citigain has not recorded any turnover since its incorporation. As at the Latest Practicable Date, Citigain held 100% equity interest in Shenzhen Dingyu.

Shenzhen Dingyu

Shenzhen Dingyu is a company incorporated in the PRC on 30 August 2006 with limited liability and is wholly-owned by Citigain. Shenzhen Dingyu has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, Shenzhen Dingyu held 100% equity interest in Shanghai Zhuoheng.

Shanghai Zhuoheng

Shanghai Zhuoheng is a company incorporated in the PRC on 12 March 2007 with limited liability and is wholly-owned by Shenzhen Dingyu. Shanghai Zhuoheng has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, Shanghai Zhuoheng held 85% equity interest in Shanghai Jiyi.

Shanghai Jiyi

Shanghai Jiyi was incorporated in the PRC on 12 July 2006 with limited liability. Shanghai Jiyi has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, Shanghai Jiyi was owned as to 85% by Shanghai Zhuoheng, 10% by Mr. Zhang and 5% by Mr. Ba, and it held 60% equity interest in the Mining Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Zhang and Mr. Ba are Independent Third Parties.

The Mining Company

The Mining Company was incorporated in the PRC on 23 August 2006 with limited liability. As at the Latest Practicable Date, the Mining Company was owned as to 60% by Shanghai Jiyi and 40% by Xinyuan Mining. The Mining Company holds the Mining License. As aforementioned, save as and except for the Mining License, the Mining Company had no other material assets as at the Latest Practicable Date. The Directors confirmed that, upon Completion, the Mining Company will be principally engaged in the exploitation, instead of the exploration of the Mine.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Xinyuan Mining is an Independent Third Party.

The Company has appointed the PRC legal advisers to carry out legal due diligence on, among other things, the Target Group's legal title and interest to the Mine, whether there will be any legal impediments for the Mining Company to obtain all the relevant mining rights certificate for the future operation and production of the Mine and whether there are other legal concerns which may possibly arise in the future.

Based on the examination of the relevant legal documents of the Mining Company and the fact that the Mining License has been granted to the Mining Company, the Company's PRC legal advisers indicated that there is no foreseeable obstacle for the Mining Company to renew the Mining License. The Company's PRC legal advisers also indicated that the Mining License is likely to be renewed for a period of three years upon expiration in November 2011.

In addition, according to the PRC legal advisers, (i) there is also no foreseeable obstacle for the Mining Company to obtain the relevant licenses in carrying mining business; and (ii) the Mining Company can carry on the mining business of molybdenum in the PRC provided that the Mining Company shall outsource the exploitation process of molybdenum to Xinyuan Mining or other third party which is incorporated in the PRC. Should the exploitation process of molybdenum be outsourced to Xinyuan Mining or other third party, the transactions between the Mining Company and Xinyuan Mining or that other party may constitute continuing connected transaction(s) for the Company under the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules as and when necessary.

The Target Company has confirmed that the Mining Company has not yet commenced any business operation since the date of its incorporation. Nevertheless, a Feasibility Report regarding the future business of the Mining Company has been prepared. With reference to the Feasibility Report, it is proposed that certain mining and smelting plants which shall commence production in 2010 will be set up, and the expected amounts of production of the Mine are 250, 495, 785 kilotonnes of ore in 2010, 2011 and 2012 respectively.

As further referred to in the Feasibility Report, the initial capital cost for the Mine in 2010 is estimated to be of approximately RMB78,500,000. Thereafter, from 2011 to 2014, the Mine is expected to require a total capital of approximately RMB41,800,000.

Profit sharing

According to a cooperative agreement entered into between Shanghai Jiyi and Xinyuan Mining on 28 July 2006, the profit sharing between Shanghai Jiyi and Xinyuan Mining in respect of the Mining Company is on a 50:50 basis until the total investment amounts of the Mining Company break even. From that time onwards, the profit sharing ratio between Shanghai Jiyi and Xinyuan Mining will be adjusted to the ratio of 45:55. As represented by the Vendor, Xinyuan Mining performed a significant role in obtaining the Mining License for the Mining Company and the profit sharing ratio in respect of the Mining Company was hence not based on the respective equity interest of the shareholders in the Mining Company. To the best of the Directors' knowledge, Xinyuan Mining will continue to monitor and provide advice on business operations to the Mining Company after Completion and the Directors expect that the contribution from Xinyuan Mining will persistently benefit the Mining Company as well as the Company in the future.

In view of the above, together with the fact that the Consideration has already taken into account the possible shortfall between the Company's share of profit in respect of the Mining Company under the aforesaid profit sharing ratio and the required capital to be contributed by the Company into the Mining Company based on the Feasibility Report, the Directors consider that the aforesaid profit sharing ratio between Shanghai Jiyi and Xinyuan Mining is acceptable.

Capital commitment

Based on a supplemental co-operative agreement entered into between Shanghai Jiyi and Xinyuan Mining on 26 June 2007 (the "**Supplemental Agreement**"), during the development phrase, in the event that the investment amounts of the Mining Company are not more than RMB30 million, such amounts will be contributed based on Shanghai Jiyi and Xinyuan Mining's respective equity interests in the Mining Company. However, the Company noted that the provision of the Supplemental Agreement regarding the said contribution ratio if the investment amounts are more than RMB30 million is relatively unclear (but in which case Shanghai Jiyi's maximum contribution into the Mining Company would be 60%). The Board will therefore re-negotiate with Xinyuan Mining upon Completion to formulate the funding obligation or liabilities in such circumstance and will update the Shareholders in accordance with the Listing Rules.

As at the Latest Practicable Date, the total investment amounts of the Mining Company were less than RMB30 million.

If the Company needs to make advance to the Mining Company which is not in proportion to its shareholding interest in the Mining Company, there may be continuing connected transaction implication. Nevertheless, it was uncertain as at the Latest Practicable Date to determine whether the Company itself or Xinyuan Mining will be the lender to provide the loan to the Mining Company.

The Company will finance its capital contribution into the Mining Company either by the Group's internal resources or other fund-raising exercises. As at the Latest Practicable Date, the Company had not entered into any agreement in respect of such fund raising exercises. In the event that the Company proceeds to any fund raising exercise and there is any implication under the Listing Rules, the Company shall make further announcement(s) and take appropriate steps pursuant to the Listing Rules.

Others

Since the Mining Company is a limited company incorporated in the PRC, although there is no clear relevent stipulations in the aforesaid cooperative agreement and the Supplemental Agreement, the PRC legal advisers advised that any losses and claims of the Mining Company shall be borne entirely by the Mining Company itself and both Shanghai Jiyi and Xinyuan Mining shall not be liable to those losses and claims.

Moreover, in the event that the Mining Company is terminated, the remaining assets of the Mining Company shall be distributed to Shanghai Jiyi and Xinyuan Mining in proportion to their respective actual capital investments in the Mining Company after liquidation of the Mining Company.

The Target Group

Upon Completion, the Group will become a 100% shareholder of the Target Company and therefore be effectively interested in (i) 100% equity interest in Citigain; (ii) 100% equity interest in Shenzhen Dingyu; (iii) 100% equity interest in Shanghai Zhuoheng; (iv) 85% of the equity interest in Shanghai Jiyi; and (v) 51% of the equity interest in the Mining Company. Furthermore, as mentioned under the foregoing section headed "Board composition of the Mining Company", the Company will be able to control the board of directors of the Mining Company. As a result, the Mining Company will become a non wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Financial information on the Target Group

Set out below is a summary of the audited financial information of the Target Company (of which the accounts of Citigain, Shenzhen Dingyu and Shanghai Zhuoheng have been consolidated) for the three years ended 31 December 2008 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III to this circular:

	For the year ended 31 December 2006	**For the year ended 31 December 2007**	**For the year ended 31 December 2008**
	HK$	*HK$*	*HK$*
Consolidated Income Statement			
Turnover	–	–	–
Net loss before taxation	(93,763)	(98,265)	(10,382)
Net loss after taxation	(93,763)	(98,265)	(10,382)

	As at 31 December 2006	**As at 31 December 2007**	**As at 31 December 2008**
	HK$	*HK$*	*HK$*
Consolidated Balance Sheet			
Total assets	896,128	1,477,859	1,825,426
Total liabilities	(1,009,931)	(1,634,418)	(1,917,149)
Net liabilities	(113,803)	(156,559)	(91,723)

Set out below is a summary of the audited financial information of Shanghai Jiyi (of which the account of the Mining Company has been consolidated) for the three years ended 31 December 2008 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III to this circular:

	For the year ended 31 December 2006	For the year ended 31 December 2007	For the year ended 31 December 2008
	HK$	*HK$*	*HK$*
Consolidated Income Statement			
Revenue	–	–	–
Net loss before taxation	(1,955,164)	(3,040,587)	(1,550,996)
Net loss after taxation	(1,955,164)	(3,040,587)	(1,550,996)

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008
	HK$	*HK$*	*HK$*
Consolidated Balance Sheet			
Total assets	27,144,836	24,752,621	45,523,458
Total liabilities	(5,820,000)	(5,149,309)	(25,758,231)
Net assets	21,324,836	19,603,312	19,765,227

The Mine

The Mine is located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC* (內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經棚鎮), with an aggregate mining area of 1.7259 km^2. As represented by the Vendor, based on the development schedule of the Mine and the Feasibility Report, the Mining Company will not commence any exploitation of the Mine prior to Completion.

Details of the Mining License are summarised as below:

License number	Holder of the license	Mining area (km^2)	Expiry date
1500000820591	The Mining Company	1.7259	26 November 2011

As mentioned previously, the Company's PRC legal advisers indicated that the Mining License is likely to be renewed for a term of three years upon expiration.

According to the Reserve Report dated April 2009 issued by Jiangxi Non-ferrous Geology Exploration – Second Team* (江西有色地質勘查二隊), the predominant reserves in the Mine are various kinds of metals including mainly copper and molybdenum, and the identified reserves (with reference to the Reserve Report, the classification of the mineral reserve is 332 according to Chinese Solid Mineral Reserve Classification System, which is approximately equivalent to indicated resource in JORC Code) of the Mine are as follows:

Types of metals	**Quantity** *(tonnes)*
Copper reserve	18,860
Molybdenum reserve	5,356.91

The Valuer confirmed that they are satisfied with the qualification of Jiangxi Non-ferrous Geology Exploration – Second Team* (江西有色地質勘查二隊) and the Valuation was based on the Reserve Report.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the properties investment business, comprising the rental of investment properties and the provision of the property management services.

Industry overview

Copper

Copper is the world's third largest industrial metal by volume, after steel and aluminum. The main industrial usage of copper is for the production of cable, wire and electrical products for both the electrical and building industries.

According to the Shanghai Metal Exchange (http://www.shfe.com.cn), the highest domestic selling price of copper was mounted to approximately RMB66,466 per tonne in 2008 and it had dropped to approximately RMB27,027 per tonne in December 2008. Furthermore, as referred to the statistics released by the China Non-ferrous Metals Industry Association (http://www.chinania.org.cn), copper production had reached approximately 3,710,000 tonnes in 2008, representing a growth of approximately 10% as compared to the prior year.

Molybdenum

Molybdenum is a common by-product of copper mining and has the ability to withstand extreme temperatures with a high resistance to corrosion. Molybdenum is widely used as an alloy agent in stainless steel. The uses for molybdenum-containing products are mostly industrial and they include energy generation, oil and gas, chemical processing, transportation, mining, mechanical engineering, building and construction and fabrication.

According to the China Non-ferrous Metals Industry Association (http://www.chinania.org.cn), the domestic selling price of molybdenum ore was approximately RMB3,564 per tonne on average in 2008, representing a decrease of approximately 13.77% as compared to the prior year. Moreover, with reference to Molybdenum Market Update (September 2007) published by the International Molybdenum Association (www.imoa.info), demand for molybdenum had increased significantly with a compound annual growth rate of approximately 8% between 2002 and 2006. Shareholders should note that the molybdenum reserve of the Mine, which, after processing would become ferro molybdenum, should enjoy a much higher selling price than molybdenum ore. For further information of the molybdenum market, please refer to the Valuation Report as contained in Appendix VI to this circular.

In view of the possible continual economic growth in the PRC, it is expected that demand for non-ferrous metals (in particular copper and molybdenum) will be sustainably high in long run. The Directors hence consider that it is beneficial for the Group to penetrate into the non-ferrous metals industry as an alternative investment opportunity to diversify the existing business portfolio of the Group and to broaden the Group's income source. It is also the intention of the Company to continue with its existing businesses in property investment. However, the recent improvement in the market sentiment of Shanghai property market may provide the Company opportunities to dispose of the existing investment properties held by the Group at a price which is acceptable to the Board. Should such disposal materalises, the Company may apply the proceeds as (i) working capital of the Group to reduce the indebtedness of the Group and/or to finance the Acquisition; or (ii) to acquire other suitable investment properties when opportunities arise.

Management team

The Mining Company has an experienced management team to oversee its operation. The management team consists of personnel with appropriate qualifications and relevant experience in the mining industry. The Enlarged Group will retain the existing management team of the Mining Company and will appoint suitable candidates to ensure continual efficient operation of the Mining Company.

Set out below are the biographies of the existing and proposed members of the management team of the Mining Company:

Mr. Ke Yunfeng* (柯雲峰)

Mr. Ke Yunfeng*, aged 69, was graduated from Changchun College of Geology* (長春地質學院). He was a senior engineer with over 35 years of experience in geological research and minerals appraisal. He was also a leader of several geological research team in the past and had participated in various geological research conducted by the provincial government in Hubei Province, the PRC. Mr. Ke is currently the chief engineer of Ezhou City Hongfu Minerals Investment Limited Company (鄂州市鴻福礦業實業有限公司).

Mr. Yu Zhongbao* (喻忠保)

Mr. Yu Zhongbao*, aged 59, was graduated from Changchun College of Geology* (長春地質學院) with a degree in geological exploration. He was a senior engineer with over 35 years of experience in geological research and minerals appraisal. He was also a leader of several geological research team in the past and had participated in various geological research conducted by the provincial governments, and worked for Huang Shi City Municipal Bureau of Land and Resources* (黃石市國土資源局). Currently, Mr. Yu is a consultant for several minerals and technical development projects.

Mr. Lu Dekui* (盧德揆)

Mr. Lu Dekui*, aged 71, was graduated from University of China Geology* (中國地質大學). He was a senior professor and head of the Geology Department of Jiangxi Province, the PRC with over 40 years of experience in geological research and minerals appraisal. He was also a leader of several geological research teams in the past and had participated in various geological research conducted by the provincial governments.

Conclusion

The Directors consider that the Enlarged Group may be posed with certain inevitable risks due to the Acquisition (details of which are set out under the section headed "Risk factors" below). Having balanced the risks associated with the Acquisition and the prospects of the Mining Company, the Board is of the view that the terms of the Sale and Purchase Agreement (including the Consideration and the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISTION

Upon Completion, the financial results of the Target Group will be consolidated into the financial statements of the Group.

Effect on assets/liabilities

As extracted from the interim report of the Company for the six months ended 30 September 2008 (the "**2008 Interim Report**"), the unaudited consolidated total assets and total liabilities of the Group were approximately HK$348,120,226 and HK$128,275,018 respectively as at 30 September 2008. With reference to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the Enlarged Group's total assets and total liabilities would be increased to approximately HK$1,166,197,110 and HK$415,950,398 respectively upon Completion.

Effect on earnings

In light of the potential future prospects of the Mine, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Group.

Effect on gearing and working capital

According to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the Group's gearing level (being calculated as total borrowings divided by the Group's net assets) was approximately 48% as at 30 September 2008. Upon Completion, the total borrowings of the Enlarged Group would be increased to approximately HK$365,564,300 while the Group's net assets would be increased to approximately HK$750,246,712. The Enlarged Group's gearing level would thus become 49% upon Completion.

As part of the Consideration (i.e. HK$40 million) was satisfied by the Company in cash on 5 June 2009 as refundable deposit, there has been an immediate negative impact on the working capital of the Group.

RISK FACTORS

Set out below are the risk factors which may be associated with the Acquisition:

Fluctuation in the price and demand of copper and molybdenum

The price of copper and molybdenum in the PRC is highly dependent on their prices in the international market. The Directors consider that there are many factors which may influence the price and demand of copper and molybdenum in the international market, including but not limited to the stability of the international economic situation and the fluctuation of the global political and social condition, which are beyond the control of the Enlarged Group. Besides that, there is a possibility that the prices of commodities may fall to lower levels and the future price movements of copper and molybdenum (whether upward or downward) are unpredictable as at this moment.

Uncertainties in copper and molybdenum exploitation

The amounts of copper and molybdenum reserves in the Mine may be varied from the estimations by Jiangxi Non-ferrous Geology Exploration – Second Team* (江西有色地質勘查二隊) and there is no assurance that the exploitation works to be performed by the Mining Company can lead to discovery of economically feasible reserves.

The PRC government's regulations on the non-ferrous metals industry

The non-ferrous metals industry is subject to various government policies and regulations, including but not limited to, exploitation, development, production, taxation, labour standards, vocational health and safety, waste treatment, environment monitoring, protection and control, operation management and other problems. Any changes to those policies may increase the operating costs of the Mining Company and hence, adversely affect the operating results of the Enlarged Group.

Validity of the Mining License

Despite the fact that the Mining Company has obtained the Mining License for conducting exploitation activities in the Mine during the licensed period, the Mining License is subject to renewal in the future and the Mining Company may not be able to renew or extend its exploitation rights. In the event that the Mining Company fails to renew the Mining License upon expiration, the operation and financial performance of the Enlarged Group will be adversely affected.

The Valuation

The Valuation involves various assumptions and therefore the Valuation may or may not effectively reflect the true value of the Mine.

New business for the Group

The Acquisition constitutes an investment in a new business sector to the Group. Although the Enlarged Group will establish an experienced management team to oversee the operation of the Mining Company, the Enlarged Group may still not be able to control the related operational risks of this new business.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment. Natural resources production projects may not be completed as planned or scheduled, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Thus, the actual capital investment for operation and development of the Mining Company may significantly exceed the Group's budgets because of factors beyond the Company's control.

The Acquisition will increase the level of risk exposure of the Enlarged Group. Independent Shareholders should be aware of the aforementioned risk factors, which may not be exhaustive, when considering the Acquisition.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$35,000,000 divided into 3,500,000,000 Shares. To cater for the possible issuance of the Conversion Shares under the Convertible Bonds and to provide for flexibility and accommodate future expansion and growth of the Company, a resolution will be proposed, and if thought fit, at the SGM to approve the increase in the authorised share capital of the Company from HK$35,000,000 to HK$300,000,000 by the creation of an additional 26,500,000,000 Shares. The Directors have no present intention to allot and issue new Shares other than the possible issuance of the Conversion Shares under the Convertible Bonds. The Capital Increase is conditional on the Shareholders' approval by an ordinary resolution at the SGM.

IMPLICATIONS UNDER THE LISTING RULES

As one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. By virtue of that Mr. Han, being a legal representative and a director of an indirect wholly-owned subsidiary of the Company, and holds directorships in the Target Group, the Acquisition also constitutes a connected transaction for the Company and is subject to the Independent Shareholders' approval by way of poll at the SGM. As stated in the Announcement, (i) Mr. Han; (ii) Mr. Xie Hongmiao, the nephew of Mr. Xie Xishuang who was a legal representative of Shanghai Jiyi until May 2009; and (iii) Mr. Xu Dong, who is a director of the Mining Company, are considered to have material interest in the Acquisition. However, since Mr. Xie Hongmiao ceased to be a Shareholder as at the Latest Practicable Date, only Mr. Han (if applicable) and Mr. Xu Dong, who was interested in 61,240,000 Shares as at the Latest Practicable Date, and their respective associates are required to abstain from voting in respect of the Acquisition at the SGM.

GENERAL

An Independent Board Committee comprising Mr. Lam Man Yui, Mr. Lai Wai Yin, Wilson and Ms. Cao Jie Min (all being the independent non-executive Directors) has been established to (i) advise the Independent Shareholders 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 Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the Acquisition after taking into account the recommendation of the Independent Financial Adviser.

The SGM will be held to consider and, if thought fit, approve the ordinary resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

As completion of the Acquisition is subject to the fulfillment of a number of conditions precedents which are detailed in this circular, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SGM

A notice convening the SGM to be held at Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong on 16 July 2009 at 10:30 a.m. or any adjournment is set out from pages 246 to 248 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., 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 for holding the SGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 32 of this circular which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out from pages 33 to 61 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, and the principal factors and reasons taken into account in arriving at its recommendation.

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds, and the Capital Increase are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. In addition, the Board considers that the Acquisition and the Capital Increase are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders and Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

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

By order of the Board
China Properties Investment Holdings Limited
Yu Wai Fong
Chairman

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 736)

30 June 2009

To the Independent Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular dated 30 June 2009 issued by the Company (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the terms of Sale and Purchase Agreement and the transactions contemplated thereunder, including the terms of the Convertible Bonds. Bridge Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds, after taking into account the advice of the Independent Financial Adviser as set out from pages 33 to 61 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition 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 resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the Acquisition.

Yours faithfully,
Independent Board Committee
Mr. Lam Man Yui **Mr. Lai Wai Yin, Wilson** **Ms. Cao Jie Min**
Independent non-Executive Directors

* *For identification purposes only*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder dated 30 June 2009 prepared for the purpose of incorporation in this circular:

寶橋 BRIDGE PARTNERS
BRIDGE PARTNERS CAPITAL LIMITED

Bridge Partners Capital Limited
Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

30 June 2009

To the independent board committee
and the independent shareholders of China Properties Investment Holdings Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 30 June 2009 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 4 June 2009, the Company (being the Purchaser) entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the consideration of HK$300 million. The Sale Shares represent the entire equity interest in the Target Company. The principal asset of the Target Group is the Mining License held by the Mining Company.

To the best of the Directors' knowledge, Mr. Han, being a legal representative and a director of an indirect wholly-owned subsidiary of the Company and holds directorships in the Target Group, the Acquisition constitutes a connected transaction for the Company and is subject to the Independent Shareholders' approval by way of poll at the SGM. As referred to the Announcement, Mr. Han, Mr. Xie Hongmiao (the nephew of Mr. Xie Xishuang who was a legal representative of Shanghai Jiyi until May 2009) and Mr. Xu Dong (a director of the Mining Company) are considered to have material interest in the Acquisition. Since Mr. Xie Hongmiao ceased to be a Shareholder as at the Latest Practicable Date, only Mr. Han (if applicable) and Mr. Xu Dong, who was interested in 61,240,000 Shares as at the Latest Practicable Date, and their respective associates are required to abstain from voting in respect of the Acquisition at the SGM.

We, Bridge Partners, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are on normal commercial terms and the transaction contemplated therein are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the Acquisition, in compliance with Rule 13.39 (6)(b) of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have reviewed, amongst others, (i) the annual report for the year ended 31 March 2008 (the "Annual Report") and interim report for the six months ended 30 September 2008 (the "Interim Report") of the Company, (ii) the Sale and Purchase Agreement, (iii) the cooperative agreement (the "Cooperative Agreement") and the supplemental cooperative agreement (the "Supplemental Cooperative Agreement") entered into between Shanghai Jiyi and Xinyuan Mining on 28 July 2006 and 26 June 2007 respectively, (iv) the management accounts of the Target Group for the three months ended 31 March 2009, (v) the accountants' report of the Main Pacific Group and Shanghai Jiyi Group, (vi) the Valuation Report conducted by the independent valuer, BMI Appraisals Limited as at 30 April 2009, (vii) the Feasibility Report conducted by WBB Engineering Consultants ("WBB"), (viii) the Reserve Report prepared by Jiangxi Non-ferrous Geology Exploration – Second Team ("Jiangxi Non-ferrous Geology") and (ix) the PRC legal opinion on the legality of the Sale and Purchase Agreement and the Company's interest in the Target Group upon Completion. We have discussed with the Valuer regarding their valuation methodology, bases and assumptions for the valuation of the Mine. In addition to the above, we have reviewed the statistics related to the copper and molybdenum industries and the trading performance of the Shares on the Stock Exchange. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80 of the Listing Rules.

We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of the SGM.

We consider that we have been provided with sufficient information to form a reasonable basis of our opinion. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, having made all reasonable enquiries, that to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, the Vendor, Mr. Han, their respective associates and/or subsidiaries, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Bridge Partners is not an expert in the areas of geology and not a specialist in the mining industry and will not render opinions regarding the accuracy of the mineral reserves in the Mine.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sale and Purchase Agreement and the transaction contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. We have no obligation to update this letter after the date of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken the following principal factors and reasons into consideration:

Business and financial information of the Group

The principal activities of the Group are properties investment business, comprising the rental of investment properties and the provision of the property management services.

Set out below is a summary of the audited consolidated income statement of the Group for each of the three years ended 31 March 2008 and the unaudited consolidated income statement of the Group for the six months ended 30 September 2008:

	Year ended 31 March			Six months ended 30 September
	2006	**2007**	**2008**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
Turnover	2,938,429	5,658,580	18,743,981	13,112,000
(Loss)/Profit before taxation	(5,042,022)	14,663,465	(36,200,225)	(163,675,000)
(Loss)/Profit for the year from continuing operations	(5,042,022)	9,935,225	(28,776,194)	(120,537,000)

The turnover of the Group was approximately HK$18.7 million for the year ended 31 March 2008, representing an increase of approximately 231% as compared with that of the previous year. The strong growth in the turnover was mainly due to the increase in rental income through the acquisition of two commercial properties in Shanghai in 2007. As mentioned in the Annual Report, as at 31 March 2008, the aggregate gross floor area of the investment properties held by the Group was approximately 10,736 square meters and the average occupancy rates were 100% for the year. However, the Group had made net losses of over HK$28.8 million for the year ended 31 March 2008. According to the Annual Report, the operating loss was mainly attributable to the recognition of the fair value of the share options granted to certain executive Directors and employees of the Group of approximately HK$61.1 million as expenses for the year 2008.

Owing to the downturn of the global economy including the PRC and the oversupply of commercial properties in the PRC market, the Group failed to achieve satisfactory operating results for the six months ended 30 September 2008. The rental income generated from the investment properties amounted to approximately HK$11.23 million for the six months ended 30 September 2008, representing approximately 85.7% to the total turnover of the Group. According to the Interim Report, the unaudited turnover of the Group increased by approximately 114.1% as compared to the corresponding period in 2007 and the unaudited net loss was approximately HK$120.5 million. The net loss was mainly due to the unrealized loss on fair value of the investment properties as a result of the austerity measures imposed by the PRC government in the property market and the impact of the global credit crunch on China. According to the management of the Company, the leasing demand for office space in Shanghai has been reducing and the over-supply of the office property is a key problem that the Company has been facing in Shanghai.

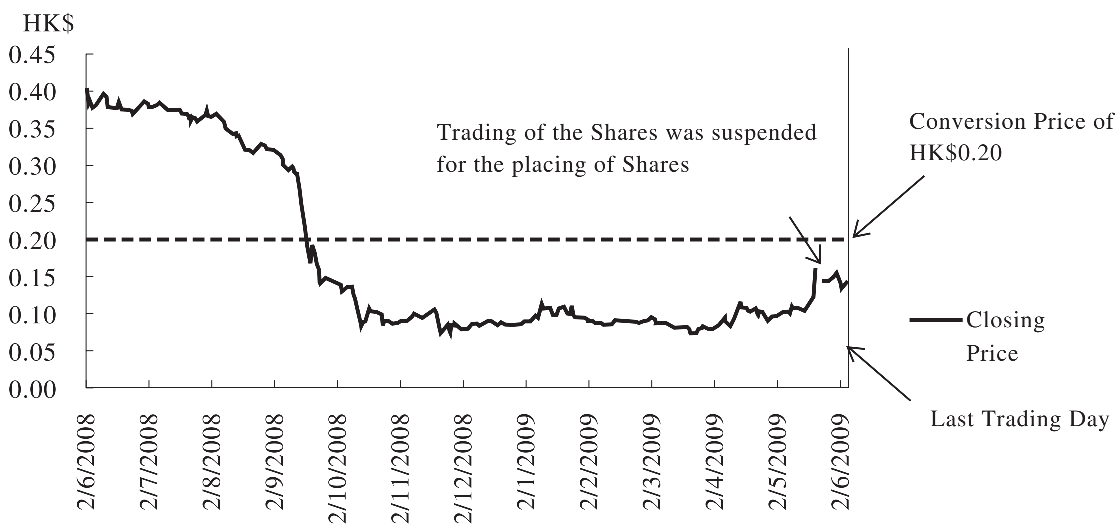
The Company has taken initiative in identifying new areas of businesses in order to diversify the existing business profile of the Group and broaden its income source. The Directors consider that it is beneficial for the Group to penetrate into the non-ferrous metals industry as an alternative investment.

The Directors expect that the recent improvement in the market sentiment of Shanghai property market may not persist for a long time. Whilst the Group is continuing its existing property investment business, the Directors consider that the revival in the property market may rely heavily upon the recovery of the global and domestic economies over the next few years. Therefore, the Directors consider that the recent market rally may provide the Group opportunities to realise some properties investments at a price which is acceptable to the Board. The Company confirms that should such disposal materialize, the Company may apply the proceeds as (i) working capital of the Group to reduce its indebtedness and/or to finance the Acquisition; or (ii) to acquire other suitable investment properties when opportunities arise.

Analysis of past performance of the Shares

(A) Historical Share price and trading volume

The following chart shows the closing prices of the Shares traded on the Stock Exchange since June 2008 up to and including the Last Trading Day (the "Review Period"):



Source: *Website of the Stock Exchange*

As shown in the chart above, the average daily closing price of the Shares ranged from HK$0.29 to HK$0.405 per Share prior to mid September in 2008. Since then, the price of the Shares has been continuously falling. During the Review Period, the highest and lowest closing prices of the Shares were HK$0.405 per Share on 2 June 2008 and HK$0.075 per Share on 20 and 21 November 2008.

(B) Historical trading volume of the Shares

The following table sets out the total monthly trading volume of the Shares, the average trading volume of the Shares per trading day, the average trading volume of the Shares as a percentage of the issued Shares held by the public and the average daily trading volume of the Shares as a percentage of the issued Shares during the Review Period:

	Total monthly trading volume of the Shares	Average trading volume of the Shares per trading day	% of average trading volume of the Shares to the total issued Shares held by the public	% of average daily trading volume of the issued Shares
2008				
June	104,490,000	5,224,500	0.43%	0.30%
July	66,275,000	3,012,500	0.25%	0.17%
August	30,510,262	1,605,803	0.13%	0.09%
September	28,056,000	1,336,000	0.11%	0.08%
October	24,812,000	1,181,524	0.10%	0.07%
November	11,125,000	556,250	0.05%	0.03%
December	57,567,000	2,741,286	0.22%	0.16%
2009				
January	17,415,500	967,528	0.08%	0.05%
February	5,365,000	268,250	0.02%	0.02%
March	6,530,000	296,818	0.02%	0.02%
April	78,385,000	3,919,250	0.25%	0.22%
May	1,032,633,414	60,743,142	3.79%	2.87%
June (up to and including the Last Trading Day)	132,225,000	33,056,250	2.06%	1.56%

Notes:

1. Trading in the Shares was suspended from 20 May 2009 to 21 May 2009 (both days inclusive).

2. Based on the number of Shares in issue for each month provided by the Company.

As shown from the above table, the trading volume of the Shares during most of the months of the Review Period shown above was thin, representing less than 1% of the total issued Shares held by the public, except during May and June where there had been exceptional share volume volatility.

Background and reasons for the proposed Acquisition

(A) Information on the Target Group

The Target Company is an investment holding company incorporated in the British Virgin Islands on 20 June 2006 with limited liability and is wholly-owned by the Vendor. Immediately upon Completion, the Group will wholly own the Target Company and be effectively interested in (i) 100% equity interest in each of Citigain, Shenzhen Dingyu and Shanghai Zhuoheng; (ii) 85% of the equity interest in Shanghai Jiyi and (iii) 51% of the equity interest in the Mining Company. Details of Citigain, Shenzhen Dingyu, Shanghai Zhuoheng, Shanghai Jiyi and the Mining Company are set out in the "Letter from the Board" to the Circular.

The Mining Company is incorporated in the PRC and owned as to 60% by Shanghai Jiyi and 40% by Xinyuan Mining. The Mining Company has not yet commenced any business operation since the date of its incorporation and will be principally engaged in the exploitation of the Mine. Save for holding the Mining License, the Directors confirmed to us that the Mining Company has no material assets as at the Latest Practicable Date. The operating period of the Mining License in the Mine is from 26 November 2008 to 26 November 2011. The Company's PRC legal adviser indicated that the Mining License is likely to be renewed for a term of 3 years upon expiration. Based on the PRC legal opinion, applications for renewal can be made within 30 days prior to the expiration of the Mining License and is subject to an extension of 3 years upon renewal. The PRC legal adviser also advised that there is no foreseeable obstacle for the Mining Company to renew the Mining License.

Under the Mining License, an ore production of 90,000 tonnes per annum is permitted. As advised by the PRC legal adviser, the Mining Company should apply for a new mining license to increase its production capacity after the Acquisition. Since the production of the Mining Company may have reached the amount provided on the Mining License, the Company considers that there would not be significant impediment in the application process. Nevertheless, the exploitation work of the Mine is subject to the obtaining of the production safety permit and the explosive permit from the relevant authorities in the PRC. The PRC legal adviser does not foresee any obstacles for obtaining the above permissions and approvals.

(B) Information on the Mine

The Mine is located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpen Zhen, Chifeng City, Inner Mongolia, the PRC with an aggregate mining area of 1.7259 square km. The closest city is Chifeng City which is about 265 km to the Mine. At present, the Mine is in the beginning stage of development. According to the Mining Company, it is planned that various facilities will be set up in order to provide flexibility to material and improve mine productivity such as the installation of a main shaft, haulage, stope and ventilation system. The Mining Company expects that it will carry out a significant capital development program that will ramp up the ore production to 250 kilotonnes per annum in year 2010, 495 kilotonnes per annum in year 2011 and further to 785 kilotonnes per annum in year 2012. The copper and ferro molybdenum production might reach its capacity of 639 tonnes and 279 tonnes by the end of 2010 and will further increase its capacity to 2,007 tonnes and 877 tonnes by the end of 2012. Furthermore, the Mining Company is planning to carry out a significant capital development program in order to expand the underground mining development. The total capital expenditures for the expansion are estimated to be approximately RMB78.5 million in 2010 and RMB21 million in 2011, which will be mainly incurred for the purchases of machinery, equipment and buildings and the construction of infrastructure.

(C) Reserves of the Mine

The predominant reserves in the Mine are various kinds of metals including mainly copper and molybdenum and the identified mineral reserve is classified as category 332 under the Chinese Solid Mineral Reserve Classification System, which is similar to the indicated resource in accordance with the codes set by the Australian Joint Ore Reserve Committee, the internationally recognized standard relating to the reporting of mineral reserves. As stated in the "Letter from the Board", the identified copper reserves and molybdenum reserves are 18,860 tonnes and 5,356.91 tonnes respectively.

The Directors are of the view that the Acquisition will provide an opportunity for the Group to gain access to the non-ferrous metals industry with an aim to broaden the income base of the Group and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole. **However, we would like to draw the Independent Shareholders' attention to that the actual amounts of copper and molybdenum reserves in the Mine may be varied from the amounts estimated by Jiangxi Non-ferrous Geology. Any failure in attaining the production targets or renewal of the Mining License may adversely affect the investment return of the Acquisition. Independent Shareholders should also be aware of the market and industry risks including the fluctuation in the prices and demand of copper and molybdenum, the industry regulations imposed by the PRC government from time to time and the general economic outlook. Details of the risk factors associated with the Acquisition are disclosed in the section headed "Risk factors" in the "Letter from the Board".**

(D) Historical financial performance of the Target Group

Set out below is a summary of the audited consolidated financial information of the Target Company (of which the accounts of Citigain, Shenzhen Dingyu and Shanghai Zhuoheng have been consolidated) (the "Main Pacific Group") for each of the three years ended 31 December 2008 as extracted from the accountants' report of the Main Pacific Group set out in Appendix III-A to this circular:

Consolidated income statement of the Main Pacific Group	Year ended 31 December		
	2006	2007	2008
	HK$	*HK$*	*HK$*
Turnover	–	–	–
Gross profit	–	–	–
Net loss attributable to equity shareholders of Main Pacific	(93,763)	(98,265)	(10,382)

Consolidated balance sheet of the Main Pacific Group	As at 31 December		
	2006	2007	2008
	HK$	*HK$*	*HK$*
Total assets	896,128	1,477,859	1,825,426
Total liabilities	(1,009,931)	(1,634,418)	(1,917,149)
Capital deficiency	(113,803)	(156,559)	(91,723)

As shown above, the Main Pacific Group did not record any turnover for each of the three years ended 31 December 2008 as each of its subsidiaries did not carry out any significant business since the respective date of its incorporation. According to the financial statements of the Main Pacific Group, the Main Pacific Group only recorded the interest income on the financial assets and the sundry income of HK$17,339 for the year ended 31 December 2008. The net loss attributable to equity shareholders of Main Pacific was narrowed down from HK$93,763 for the year ended 31 December 2006 to HK$10,382 for the year ended 31 December 2008. As at 31 December 2008, the total assets and the total liabilities of the Main Pacific Group were HK$1,825,426 and HK$1,917,149 respectively.

Set out below is a summary of the audited consolidated financial information of Shanghai Jiyi (of which the account of the Mining Company has been consolidated) (the "Shanghai Jiyi Group") for each of the three years ended 31 December 2008 as extracted from the accountants' report of the Shanghai Jiyi Group set out in Appendix III-B to this circular:

Consolidated income statement of the Shanghai Jiyi Group	**Year ended 31 December**		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Turnover	–	–	–
Gross profit	–	–	–
Net loss attributable to equity shareholders of Shanghai Jiyi (net of minority interests)	(1,173,098)	(1,824,352)	(930,598)

Consolidated balance sheet of the Shanghai Jiyi Group	**As at 31 December**		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Total assets	27,144,836	24,752,621	45,523,458
Total liabilities	(5,820,000)	(5,149,309)	(25,758,231)
Total equity attributable to equity shareholders of Shanghai Jiyi	18,226,902	17,721,613	18,503,926

According to the financial statements for the year ended 31 December 2008, the revenue of HK$29,124 was mainly derived from the interest income on the financial assets charged to the Shanghai Jiyi Group. The net loss attributable to equity shareholders of Shanghai Jiyi decreased from HK$1,824,352 for the year ended 31 December 2007 to HK$930,568 for the year ended 31 December 2008. As at 31 December 2008, the audited consolidated equity attributable to equity shareholders of Shanghai Jiyi was approximately HK$18,503,926 and the cash and cash equivalents of approximately HK$67,288. As there is no borrowing, the gearing ratio of the Shanghai Jiyi Group was nil as at 31 December 2008.

According to Appendix III-A to the Circular, the reporting accountants of the Main Pacific Group had given a modified opinion on the Main Pacific Group's accounts for each of the three years ended 31 December 2008. The Main Pacific Group had net current liabilities of HK$125,136, HK$166,103 and HK$91,723 as at 31 December 2006, 2007 and 2008 respectively, and incurred a loss attributable to equity shareholders of Main Pacific of HK$93,763, HK$98,265 and HK$10,382 for the years ended 31 December 2006, 2007 and 2008 respectively. According to the reporting accountants of the Main Pacific Group, the above net current liabilities and the loss attributable to equity shareholders of the Main Pacific Group for each of the three years ended 31 December 2008 indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Main Pacific Group to continue as a going concern. As stated in the Note (2)(b) under the "Going concern basis" in the financial statements of the Main Pacific Group, given the consolidated liabilities of the Main Pacific

Group mainly comprise of an amount due to a director of HK$1,021,149 as at 31 December 2008 (2006: HK$1,009,931; 2007:HK$1,016,052), the ability of the Main Pacific Group to continue as a going concern depends on the support from the director. The shareholder of Main Pacific has undertaken to provide continuing financial support to the Main Pacific Group as may be necessary to enable it to operate as a going concern and meet its obligation in full as and when they fall due.

The reporting accountants of the Shanghai Jiyi Group also had given a modified opinion on the Shanghai Jiyi Group's accounts for each of the three years ended 31 December 2008. The Shanghai Jiyi Group had incurred a loss attributable to equity shareholders of Shanghai Jiyi of HK$1,173,098, HK$1,824,352 and HK$930,598 for the years ended 31 December 2006, 2007 and 2008 respectively. As stated in the Note (2)(b) under the "Going concern basis" in the financial statements of the Shanghai Jiyi Group, the ability of the Shanghai Jiyi Group to continue as a going concern depends on the support from the shareholders of the Shanghai Jiyi Group, who have undertaken to provide continuing financial support to the Shanghai Jiyi Group, as may be necessary to enable it to operate as a going concern and meet its obligation in full as and when they fall due.

Although the reporting accountants of the Main Pacific Group and Shanghai Jiyi Group had given modified opinion on the accountants' reports of the Main Pacific Group and Shanghai Jiyi Group, the Directors believe that the operation of the Target Group will remain as a going concern in its foreseeable future. The Board confirms that it will re-negotiate with Xinyuan Mining to formulate the funding obligations or liabilities and will provide financing to the Mining Company for its general working capital after the Acquisition if necessary. We have also discussed with the Directors relating to the financial positions of the Main Pacific Group and Shanghai Jiyi Group, the Directors informed us that the Company may take precautious measurement to exercise control over the business operations and management of the Target Group carefully, including but not limited to, the formulation of financial policies, internal financial control management of trade receivables and payables and treasury management. The Company also considers appointing senior management and experienced management team to oversee the operations of the Target Group. Although the Directors believe that the Acquisition may broaden the income source of the Group, **Independent Shareholders should note that there may not have an immediate positive effect on the financial performance of the Target Group after the implementation of the control mechanism and financial reforms. In this regard, the Independent Shareholders should be aware of the possibility that the value of their existing investments in the Company may be eroded if the future performance of the Target Group continues to be unsatisfactory. Thus, he/she/it should carefully monitor the financial performance of the Target Group in the future.**

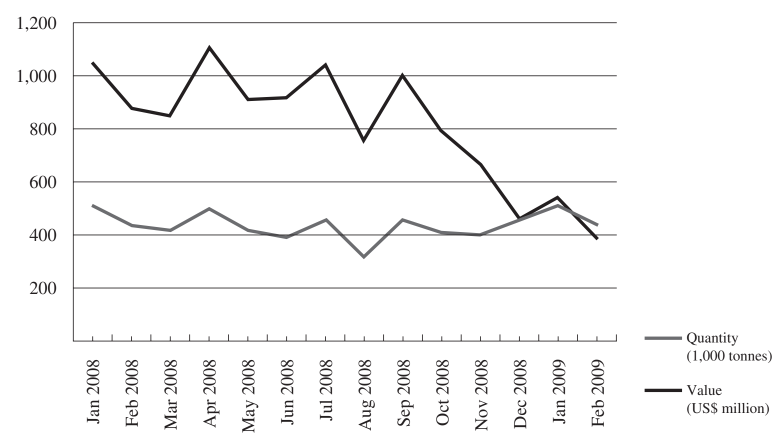
(E) Trends of the copper and molybdenum industries

The PRC government announced a domestic economy stimulation plan with an amount of RMB4,000 billion in November 2008 which will be benefited to, amongst others, the infrastructure and manufacturing industries and hence may increase the demand of copper and molybdenum.

(a) Copper

According to Bloomberg, the smelters in the PRC produced 606,000 metric tons of copper in January and February 2009, which represents 18% increase when compared with that of the previous year. Also, as shown in the figure below, PRC is the world's biggest copper consumer and imported 440,000 tonnes of copper ore valued at approximately US$385.9 million in February 2009. Along with the positive driving force from the domestic economy stimulation plan in the PRC, we are of the view that with the continuing increase of China power transmission construction, the prospect for copper industry has also turned brighter.

China's import of copper ore



Source: General administration of customs of the PRC

(b) Molybdenum

Molybdenum's hardening and anticorrosive properties in steel make it indispensible in all aspects of oil drilling and pipelines as well as high-end uses in chemical processing plants, power generating plants, and desalinization plants. After considering the growing demand of steel and molybdenum from the infrastructure and manufacturing industries in the PRC above mentioned, we believe that the demand for molybdenum could maintain at sustainably high level in the long run.

In view of the above, the Acquisition is beneficial for the Group to penetrate into the non-ferrous metals industry and we concur with the Directors' view that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

(F) Reasons for the proposed Acquisition

In view of (i) the positive trends of the copper and molybdenum industries above mentioned; (ii) the opportunities to diversify into the non-ferrous metals industries; and (iii) the prospect of the Mining Company and the potential reserves of the Mine, we concur with the view of the Directors that the Acquisition is beneficial for the Group to diversify its investment businesses and to broaden its income source.

Principal terms of the Sale and Purchase Agreement

(A) Basis of the Consideration and valuation methodology

As stated in the "Letter from the Board", the Consideration has been arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the preliminary valuation on the Mine of approximately HK$820 million as at 30 April 2009 by the independent Valuer, as set out in the draft Valuation Report; (ii) the latest market statistics and future prospects of the non-ferrous metals industry; and (iii) the payment method of the Consideration.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the methodology, bases and assumptions underlying the Valuation prepared by the Valuer.

(a) Valuation methodology

The Valuation Report was prepared by the Valuer, an independent valuer who has confirmed that they have no present or prospective interest in the Company, the Vendor, the Mine or the value reported. As noted from the Valuation Report, the Valuer has considered three generally accepted valuation methodologies to value the Mine, namely (i) the market approach; (ii) the cost approach; and (iii) the income approach. The Valuer has adopted the income approach which they consider to be the most appropriate method to assess the profitability of the Mine and has based on the discounted cash flow method to calculate the net present value of the Mine's future expected cash flows. The expected cash flows were determined from the net profits after tax. We consider that the income approach adopted by the Valuer is a reasonable approach in deriving the appraised value of the Mine.

(b) Factors considered in the Valuation

We noted that in arriving the Valuation, the Valuer has taking into consideration, including but not limited to, the following factors: (i) the business nature of the Mine; (ii) the financial and operational information related to the Mine; (iii) the specific economic environment and competition for the market in which the Mine is exposed to; (iv) market-derived investment returns of entities engaged in similar lines of business; (v) the financial and business risks related to the Mine, including the continuity of income and the projected future results; (vi) the Reserve Report indicating the amount of resource within the Mine; and (vii) the Feasibility Report indicating the expected production schedule, production process, revenue and related costs involved in the operation of the Mine.

In addition, Weighted Average Cost of Capital was adopted as the discount rate for the Valuation and the Valuer considers that the Capital Asset Pricing Model is an appropriate model for estimating of the cost of capital of the Mine with reference to the comparable companies. When selecting the comparable companies, only the listed companies that satisfied the following criteria are adopted: i) the sales generated from molybdenum ore mining and smelting is larger than 75%; ii) the stock of the company is actively traded; and iii) the business is operating in emerging market countries. We note that the Valuer has examined and is satisfied with the arithmetical accuracy of the calculations of the discounted cash flow forecast underlying the Valuation Report.

We have reviewed the principal basis and assumptions upon which the Valuation is based. As discussed with the Valuer, the future investment cost in the Mine has also been taken in account for the Valuation. We concur with the view of the Directors that the Valuation has been made after due and careful enquiry. Based on the information available to us, we consider that the assumptions, the basis and the methodology for the Valuation are fair and reasonable. Nevertheless, Independent Shareholders are reminded that revenue and profits cannot be projected with complete accuracy and are dependent on the assumptions made in the Valuation. As set out in the Valuation Report, the Mine is subject to uncertainty and there is no assurance that the business and/or the production plans of the Mine will materialize. Accordingly, the Valuation serves as a reference as to whether the operation of the Mine will yield the economic benefit subject to the known facts and hypothesis as contained in the Feasibility Report and the Reserve Report.

Based on the Valuation Report, the fair value of the Mine was HK$820 million as at 30 April 2009. Given that (i) the Consideration represents a discount of approximately 28.26% to HK$418.20 million of the Valuation, being the effective interest in 51% of the Mining Company, and the future investment cost in the Mine has been taken into account; (ii) as confirmed with the Company, the total investment amounts of the Mining Company were less than RMB30 million as at the Latest Practicable Date; and (iii) the profit sharing ratio between Shanghai Jiyi and Xinyuan Mining is acceptable (details of which are set out in the section headed "Profit Sharing and Capital Commitment" below), we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole.

(B) Settlement method of the Consideration

The Consideration for the Acquisition amounts to HK$300 million and shall be settled by the Company as to:

(i) HK$40 million by cash payable by the Company within 10 Business Days from the date of the signing of the Sale and Purchase Agreement or 10 Business Days from the date of successful registration of the Share Mortgage (whichever is later) or such other date agreed by the parties to the Sale and Purchase Agreement, as a refundable deposit; and

(ii) the remaining HK$260 million by the issue of the Convertible Bonds at the conversion price of HK$0.20 per Conversion Share within one month upon Completion to the Vendor.

The cash portion of the Consideration represents only approximately 13.33% of the Consideration, and the remaining balance of the Consideration will be settled by the issue of the Convertible Bonds with a term of maturity of three years. As confirmed by the Company, the Company has settled the cash portion of the Consideration by using its internal resources.

(C) Convertible Bonds

To assess the reasonableness of the terms of the Convertible Bonds, we have reviewed and identified, on a best effort basis, 41 convertible bonds/notes that were announced by the main board listed companies of the Stock Exchange (the "CB Comparables") from 16 March 2009 to the Latest Practicable Date. Owing to the fact that the business, operations and prospects of the Company are not the same as the CB Comparables, Independent Shareholders should note that the CB Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange in transactions which involved the issue of convertible notes/bonds. Set out below is a summary of our findings:

Date of announcement	Company name	Stock code	Conversion price *(HK$)*	Maturity *(years)*	Interest rate *(%)*	Premium/ (discount) of conversion price over/(to) the closing price as at the respective last trading day *(%)*
16-Mar-09	China Fortune Group Limited	290	0.16	3.0	0.0	(36.00)
20-Mar-09	New City (China) Development Limited	456	0.03	3.0	Floating interest rate	(88.68)
1-Apr-09	Temujin International Investments Limited	204	1.60	3.0	12.0	(13.51)
7-Apr-09	Forefront Group Limited	885	0.19	3.0	0.0	0.00
22-Apr-09	MAE Holdings Limited	851	0.184	3.0	2.0	(12.38)
24-Apr-09	Techtronic Industries Company Limited	669	5.20	5.0	8.5	7.90
26-Apr-09	Beijing Enterprises Holdings Limited	392	43.50	5.0 *(Note 1)*	2.25	22.54

Date of announcement	Company name	Stock code	Conversion price *(HK$)*	Maturity *(years)*	Interest rate *(%)*	Premium/(discount) of conversion price over/(to) the closing price as at the respective last trading day *(%)*
28-Apr-09	Qin Jia Yuan Media Services Company Limited	2366	1.71	5.0	5.0	23.02
28-Apr-09	Sino Prosper Holdings Limited	766	0.075	5.0	0.0	7.14
30-Apr-09	Genesis Energy Holdings Limited	702	0.46	4.0	2.0	64.29
30-Apr-09	National Investments Fund Limited	1227	0.05	3.0	2.0	(13.79)
5-May-09	China Star Entertainment Limited	326	0.50	5.0	6.0	(13.79)
6-May-09	China Yunnan Tin Minerals Group Company Limited	263	0.14	5.0	1.0	(16.67)
6-May-09	China Fortune Group Limited	290	0.16	3.0	0.0	(44.83)
10-May-09	Nubrands Group Holdings Limited	835	0.20	5.0	0.0	(9.10)
11-May-09	Get Nice Holdings Limited	64	0.25	2.0	0.0	(19.35)
13-May-09	Shougang Concord Technology Holdings Limited	521	0.60	5.0	0.0	20.00
14-May-09	China Water Industry Group Limited	1129	0.182	3.0 *(Note 2)*	0.0	(17.65)
21-May-09	China Timber Resources Group Limited	269	0.056	3.0	2.15	(33.33)
22-May-09	Global Green Tech Group Limited	274	0.36	3.0	8.0	(20.88)
25-May-09	Long Far Pharmaceutical Holdings Limited	2898	0.30	3.0	3.0	(36.20)
25-May-09	Daphne International Holdings Limited	210	3.50	5.0	3.125	7.70

Date of announcement	Company name	Stock code	Conversion price	Maturity	Interest rate	Premium/(discount) of conversion price over/(to) the closing price as at the respective last trading day
			(HK$)	*(years)*	*(%)*	*(%)*
27-May-09	Imagi International Holdings Limited	585	0.30	2.0	0.0	(11.76)
27-May-09	China Fortune Group Limited	290	0.16	3.5 *(Note 3)*	0.0	(64.84)
27-May-09	SOHO China Limited	410	5.88	5.0 *(Note 4)*	3.75	20.00
3-Jun-09	PME Group Limited	379	0.20	3.0	3.0	(50.00)
4-Jun-09	Pearl Oriental Innovation Limited	632	0.40	2.0	Floating interest rate	(11.00)
4-Jun-09	China Jin Hui Mining Corporation Limited	462	2.50	7.0	0.0	148.00
4-Jun-09	China Jin Hui Mining Corporation Limited	462	2.00	10.0	0.0	98.00
4-Jun-09	Paradise Entertainment Limited	1180	0.05	5.5 *(Note 5)*	12.0	(1.96)
5-Jun-09	Rontex International Holdings Limited	1142	0.0936	2.0	5.0	(20.00)
9-Jun-09	Interchina Holdings Company Limited	202	0.10	2.0	5.0	72.40
11-Jun-09	Willie International Holdings Limited	273	1.39	3.0	2.0	0.00
15-Jun-09	China Financial Leasing Group Limited	2312	0.0275	3.0	2.0	(86.45)
15-Jun-09	Sinolink Worldwide Holdings Limited	1168	1.10	3.0	0.0	2.80
15-Jun-09	Golden Harvest Entertainment (Holdings) Limited	1132	3.38	6.5 *(Note 6)*	0.0	12.67
18-Jun-09	Suncorp Technologies Limited	1063	0.10	3.0	0.5	(34.20)

Date of announcement	Company name	Stock code	Conversion price *(HK$)*	Maturity *(years)*	Interest rate *(%)*	Premium/ (discount) of conversion price over/(to) the closing price as at the respective last trading day *(%)*
19-Jun-09	Willie International Holdings Limited	273	1.00	3.5 *(Note 3)*	0.0	(15.25)
22-Jun-09	GOME Electrical Appliances Holding Limited	493	1.18	7.0	5.0	(1.10)
23-Jun-09	Midas International Holdings Limited	1172	0.25	5.0	1.0	16.80
25-Jun-09	Wonderful World Holdings Limited	109	0.30	3.0	2.0	(25.00)
Maximum				10.0	12.0	148.00
Mean				4.0	2.5	(4.26)
Minimum				2.0	0.0	(88.68)
The Company			0.2	3.0	3.0	41.84 *(Note 7)*

Notes:

(1) The convertible notes will be due on 2 June 2014.

(2) The convertible bond will be due on 3 August 2012.

(3) The convertible bonds will be due on 31 December 2012.

(4) The bond will be due on 2 July 2014.

(5) The convertible debentures will be due on 31 December 2014.

(6) The convertible notes will be due on 31 December 2015.

(7) The Conversion Price of HK$0.20 represents a premium of approximately 41.84% over the closing price of HK$0.141 per Share on the Last Trading Day.

(a) Conversion Price

As set out in the "Letter from the Board", the Conversion Price of HK$0.20 was determined at after arm's length negotiations between the Vendor and the Purchaser with reference to the stock market condition and the prevailing market price of the Shares. The initial Conversion Price represents:

(a) a premium of approximately 41.84% over the closing price of HK$0.141 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 38.89% over the average of the closing prices of HK$0.144 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(c) a premium of approximately 37.93% over the average of the closing prices of HK$0.145 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

(d) a premium of approximately 53.85% over the closing price of HK$0.130 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a premium of approximately 60.45% over the unaudited consolidated net asset value per Share of approximately HK$0.125 (based on the unaudited consolidated net asset value of the Group of approximately HK$219,845,000 as at 30 September 2008 and 1,763,698,191 issued Shares prior to the completion of the Placing).

As shown in the above, we note that the premium/(discount) of the conversion price over/(to) the closing price of the CB Comparables as at the last trading day ranged from a discount of approximately 88.68% to a premium of approximately 148.0% with the mean of a discount of approximately 4.26%. The premium of approximately 41.84% represented by the Conversion Price to the closing price per Share on the Last Trading Day is within the range. Independent Shareholders should be noted that the businesses, operations and prospects of the Target Company are not the same as the CB Comparables. Accordingly, the CB Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange. Based on the above comparison with the CB Comparables, we are of the view that the initial Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

(b) Interest rate

As set out in the table above, the interest rate of the CB Comparables ranges from nil to 12.0% per annum. The Convertible Bonds bears an interest rate of 3% per annum, which falls within the range of the CB Comparables and is slightly higher than the average interest rate of approximately 2.5% per annum of the CB Comparables. We are of the view that the interest rate is fair and reasonable.

(c) Maturity

As set out in the table above, the maturities of the CB Comparables range from 2 to 10 years with an average of about 4 years. The Convertible Bonds have a maturity of 3 years, which falls within the range of the CB Comparables and is shorter than the average maturity of about 4 years of the CB Comparables.

(d) Price reset mechanism

The Conversion Price of the Convertible Bonds can be reset (if necessary) 12 times (i.e. on the last Business Day of each month) in each calendar year before the date of its maturity in the event that the average closing price of the Shares as quoted on the Stock Exchange for the last three consecutive trading days up to and including the Reset Date is lower than the then conversion price of the Convertible Bonds. In such event, the then conversion price of the Convertible Bonds will be adjusted downwards to the Reset Price with effect from the next Business Day, and in any case the reset conversion price should not be less than the par value of the Share of HK$0.01 each.

To assess the reasonableness of the frequency of the price reset or adjustment mechanism of the Convertible Bonds, we have reviewed and identified, on a best effort basis, 11 companies listed on the Stock Exchange that announced to issue or have already issued convertible bonds/notes (the “Reset Comparables”) from 1 January 2008 up to the Latest Practicable Date with reset/adjustment mechanism to the relevant conversion prices. Owing to the fact that the business, operations and prospects of the Company and the details of the issue of convertible bonds/notes are not the same as the Reset Comparables, Independent Shareholders should note that the Reset Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange in transactions which involved in the issue of convertible notes/bonds with reset/adjustment mechanism to the relevant conversion prices. Set out below is a summary of our findings:

Date of announcement	Company name	Stock code	Initial conversion price *(HK$)*	Maturity *(years)*	Interest rate *(%)*	Premium/(discount) of conversion price over/(to) the closing price as at the respective last trading day *(%)*	Number of resets/ adjustments of the conversion price
10-Jan-08	Rising Development Holdings Limited	1004	0.28	3.0	1.0	(9.68)	1
18-Feb-08	Challenger Group Holdings Limited	8203	1.3	5.0	1.0	85.71	Any time commencing on the date of issue up to the maturity date, with a maximum of approximately 920 times
4-Mar-08	China HealthCare Holdings Limited	673	1.16	3.0	2.0	110.90	Any time commencing from 6 months after the date of issue up to the maturity date
10-Jun-08	Gay Giano International Group Limited	686	1.27305	3.0	2.0	(23.31)	5
1-Aug-08	SRE Group Limited	1207	1.0	5.0	4.5	13.60	6
7-Aug-08	Asia Orient Holdings Limited	214	1.3	2.0	4.0	4.00	1
17-Sep-08	Neolink Cyber Technology (Holding) Limited	8116	0.08	5.0	0.0	33.33	1
28-Nov-08	Global Flex Holdings Limited	471	0.1	2.0	0.0	194.10	8
28-Apr-09	Qin Jia Yuan Media Services Company Limited	2366	1.71	5.0	5.0	23.02	2
5-Jun-09	Rontex International Holdings Limited	1142	0.0936	2.0	5.0	(20.00)	5
22-Jun-09	GOME Electrical Appliances Holding Limited	493	1.18	7.0	5.0	(1.10)	1
Maximum				7.0	5.0	194.10	
Mean				3.8	2.7	37.30	
Minimum				2.0	0.0	(23.31)	
The Company			0.2	3.0	3.0	41.84	On the last Business Day of each month in each calendar year before the date of its maturity, with a maximum of 36 times *(note)*

Note:

The maximum of reset on the last Business Day of each month in each calendar year up to maturity of 3 years is 36 times.

As stated in the "Letter from the Board", the price reset mechanism of the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor. In light of the fact that the Company does not have sufficient internal resources to finance the Acquisition, the price reset mechanism can provide assurance to the Vendor relating to the Company's repayment ability. The reason for having variable Conversion Prices rather than just a fixed conversion price is to ensure that the Conversion Price is based on the then prevailing market price of the Shares, with the initial Conversion Price as a cap to commensurate the risk profile of the Convertible Bonds such as low coupon rate, mandatory conversion features, no security and repayment terms.

Based on the "Letter from the Board", the maturity of the Convertible Bonds is three years. Accordingly, there are at most 36 times of possible price reset prior to the maturity date of the Convertible Bonds, which lies within the comparison range of the Reset Comparables with the minimum of one reset and the maximum of reset at any time commencing from 6 months after the date of issue up to the maturity date. Given that there is no security be pledged to the Vendor and the lack of strong working capital of the Group, we consider that the price reset mechanism can provide assurance to the Vendor relating to the Company's repayment ability to certain extent.

As discussed with the Directors, the Directors are also of the view that the frequent price reset mechanism is fair and reasonable after considering the possible factors which may affect the volatility of the Share price including the recent stock market volatility and the future investment cost in the Mine, which can be arranged through various financing methods (for example, bank borrowings, open offer, rights issue or placing). It is reasonable to assume that the business and financial performance of the Group can be reflected by the market price. The price reset mechanism allows the actual conversion price marked to market. Thus, we are of the view that the liabilities under the Convertible Bonds are likely to be converted into equity capital, and hence the capital base of the Group can be enlarged and the gearing of the Group can be reduced. Without the price reset mechanism and in the event that the Conversion Price is higher than the prevailing market price, the Vendor may not have incentive to convert the Convertible Bonds and the Company will face high pressure of repayment within the maturity.

Taking into consideration that (i) the Company paid HK$40 million as the cash portion for the settlement of the Consideration, representing only approximately 13.33% of the Consideration and the remaining balance of the Consideration will be settled by the issue of the Convertible Bonds with a term of maturity of three years; (ii) the Company does not have sufficient internal resources to finance the Acquisition; (iii) the initial Conversion Price represents a premium of 41.84% over the closing price of HK$0.141 per Share on the Last Trading Day; (iv) the price reset mechanism lies within the comparison range of the Reset Comparables; (v) the price reset mechanism serves as a way to provide assurance to the Vendor relating to the Company's repayment ability; and (vi) having the price reset mechanism, the liabilities under the Convertible Bonds are likely to be converted into equity interest and hence the Group's capital base can be enlarged and the gearing of the Group can be reduced, we consider that the frequent price reset mechanism is fair and reasonable.

(e) Other terms of the Convertible Bonds

As disclosed in the "Letter from the Board", the holder(s) of the Convertible Bonds has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$1,000,000 or integral multiples thereof) on any Business Day after the date of issuance of the Convertible Bonds up to the maturity date. However, it is restricted that (i) the holder(s) of the Convertible Bonds and parties acting in concert with it/them will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) the holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the non-compliance with the public float requirements. The Conversion Shares will rank pari passu in all respects with the existing Shares in issue at the date of issue of the Conversion Shares.

As confirmed by the Directors, in view of the recent financial turmoil and the resulting global credit crunch has tightened the availability of fund and increased the cost of funding for the Company, it may be difficult for the Company to secure borrowings/debts from banks or other financial institutions with favorable terms. As for the other forms of equity financing (including placing, rights issue or open offer) may incur substantial costs related to placing commission or underwriting commission, the Directors are in the view that the issue of the Convertible Bonds offers the best balance in terms of financing flexibility and relatively low recurring interest expense. As such, we concur with the Directors' view that the issue of the Convertible Bonds is a feasible, cost and time effective fund raising alternative currently available to the Company and is in the interest of the Company and the Independent Shareholders as a whole.

(D) Other major terms of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, Mr. Han as the primary obligor (but not merely as a guarantor), as continuing security, unconditionally and irrevocably guarantees to the Purchaser that the Vendor shall duly and punctually perform and observe its obligations under the Sale and Purchase Agreement and pay all the money payable by the Vendor. The Guarantor also undertakes to the Purchaser that the Guarantor shall procure the Vendor to observe its obligations (whether expressed or implied) under the Sale and Purchase Agreement, including but not limited to the guarantee given by the Vendor.

We noted that the Sale and Purchase Agreement shall lapse in the event that any of the conditions precedent as set out in the "Letter from the Board" are not fulfilled or waived by the Purchaser in writing (as the case may be) on or before the Long Stop Date. In such event, the Vendor shall refund the deposit to the Purchaser within 10 Business Days upon receiving notice from the Purchaser. We have also reviewed the other terms of the Sale and Purchase Agreement and are not aware of any terms are of material irregularity.

Taking into consideration of (i) the Conversion Price represents a premium of approximately 41.84% over the closing price of HK$0.141 per Share on the Last Trading Day as comparable to the CB Comparables and (ii) the issue of the Convertible Bonds is one of the best fund raising methods as compared to other financing alternatives and has no immediate shareholding dilution effect before exercising the conversion right of the Convertible Bonds, we consider the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Profit Sharing and Capital Commitment

According to the Cooperative Agreement, the profit sharing between Shanghai Jiyi and Xinyuan Mining in respect of the Mining Company is on a 50:50 basis until the total investment amounts of the Mining Company break even. The profit sharing ratio between Shanghai Jiyi and Xinyuan Mining will be adjusted to the ratio of 45:55 after break even. As represented by the Vendor, Xinyuan Mining performed a significant role in obtaining the Mining License for the Mining Company and the profit sharing ratio in respect of the Mining Company was hence not based on the respective equity interest of the shareholders in the Mining Company.

In view of the fact that the Consideration has already taken into account the possible shortfall between the Company's share of profit in respect of the Mining Company under the aforesaid profit sharing ratio and the required capital to be contributed by the Company into the Mining Company based on the Feasibility Report, we concur with the view of the Directors that the profit sharing ratio between Shanghai Jiyi and Xinyuan Mining is acceptable.

Based on the Supplemental Cooperative Agreement during the development phrase, in the event that the investment amounts of the Mining Company are not more than RMB30 million (approximately HK$34.44 million), such amounts will be contributed based on Shanghai Jiyi and Xinyuan Mining's respective equity interests in the Mining Company. However, if the investment amounts are more than RMB30 million, the provisions regarding the contribution ratio in the supplement co-operative agreement are unclear. The Board will re-negotiate with Xinyuan Mining to formulate the funding obligation or liabilities upon Completion.

Possible dilution to the existing shareholdings of the Independent Shareholders

For illustrative purpose only, the following table sets out a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price; (iii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the minimum Conversion Price of HK$0.01; and (iv) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, subject to the conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds:

Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price**		**Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the minimum Conversion Price of HK$0.01** *(Note)*		**Immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.90% of the issued share capital of the Company**	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Ms. Yu Wai Fong, the Director	512,630,358	24.25	512,630,358	15.02	512,630,358	1.82	512,630,358	17.00
The Vendor (or its nominee(s))	–	–	1,300,000,000	38.08	26,000,000,000	92.48	901,563,137	29.90
Public Shareholders	1,601,067,833	75.75	1,601,067,833	46.90	1,601,067,833	5.70	1,601,067,833	53.10
Total	**2,113,698,191**	**100.00**	**3,413,698,191**	**100.00**	**28,113,698,191**	**100.00**	**3,015,261,328**	**100.00**

Note:

On the assumption that the Conversion Price is reset to HK$0.01 based on the terms of the Convertible Bonds, the maximum number of the Conversion Shares to be issued upon full conversion of the Convertible Bonds would be 26,000,000,000 Shares, representing (i) approximately 1,230.07% of the existing issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 92.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the minimum conversion price of HK$0.01.

As stated by the "Letter from the Board", there will not be a change in control of the Company as a result of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement and the terms of the Convertible Bonds. We also reviewed the other terms of the Convertible Bonds and the Sale and Purchase Agreement in relation to the possible dilution to the existing shareholdings of the Company and are not aware of any terms are of material irregularity.

Upon Completion and immediately after the allotment and issue of the Conversion Shares under the Convertible Bonds upon full conversion of the Convertible Bonds (assuming the Vendor or its nominee exercises the Convertible Bonds at the Conversion Price of HK$0.20 and the Vendor does not hold more than 29.90% of the issued share capital of the Company), an aggregate of 901,563,137 new Shares shall be issued, representing approximately 42.65% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 29.90% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Bonds (subject to the subject to the conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds).

From the table above, we noted that the shareholdings of the public Shareholders would be diluted from approximately 75.75% to approximately 53.10% of the enlarged issued share capital of the Company following the allotment and issue of the Conversion Shares under the Convertible Bonds. It is inevitable that there will be a dilution effect on the shareholdings of the public Shareholders if the Convertible Bonds are converted. Having considered the Group had cash and cash equivalents balance of approximately HK$13.7 million as at 30 September 2008 and the net proceeds of approximately HK$45.2 million received from the placing and subscription of 350,000,000 new Shares (the "Top-Up Subscription") will not be sufficient to settle the Consideration of HK$300 million, we consider the issue of the Convertible Bonds in settling part of the Consideration is in the interests of the Company and the Independent Shareholders. Given that (i) the issue of the Convertible Bonds is one of the fund raising methods as compared to other financing alternatives (for example, bank borrowings, open offer, rights issue or placing); (ii) the issue of the Convertible Bonds would not result in immediate dilution effect on shareholdings; (iii) the initial Conversion Price of HK$0.20, represents a premium of approximately 41.84% over the closing price on the Last Trading Day and falls within the range of those of the CB Comparables; and (iv) the Acquisition is beneficial for the Group to penetrate into the non-ferrous metals industry, we are of the view that the possible dilution to the existing public Shareholders as a result of the proposed issue of Convertible Bonds is acceptable.

Risk factors

The Independent Shareholders should be aware that the Acquisition involves risks and uncertainties. Independent Shareholders are strongly encouraged to pay attention to the paragraph headed "Risk factors" in the "Letter from the Board" and the issues mentioned in the sub-section headed "Reserves of the Mine" as set out in this letter.

In addition, we consider that there are various uncertainties and business risks associated with the Acquisition, including but not limited to, (i) the marketability of the copper and ferro molybdenum and the time as to when the Mine will commence operation and (ii) there may not have a positive effect on the financial and business performance of the Company when the Mine commences its operation. Thus, Independent Shareholders should be aware of the market and industry risks and the possibility that the value of their existing investments in the Company may be eroded if the Mine cannot be developed which led to financial loss to the Group.

Financial impact of the Acquisition

(A) Earnings

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Group. Accordingly, the entire results and assets and liabilities of Target Group will be consolidated into the financial statements of the Company. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular, assuming the Completion took place on 1 April 2007, the unaudited pro forma earnings of the Enlarged Group will be approximately HK$89.5 million mainly arised from the recognition of the negative goodwill of approximately HK$130.6 million.

Although there will not be any revenue contribution from the Target Group until the mining operation of the Mine commences, the Directors believe that the Acquisition may bring an advantageous effect to the Group in a long term in view of the opportunity to penetrate into the non-ferrous metals industry and the prospect of the non-ferrous metals industry.

(B) Gearing

According to the Interim Report, the Group had total borrowings of approximately HK$105.6 million and the gearing ratio of the Group (expressed as a percentage of the Company's total borrowings to total equity) was approximately was 0.48 times as at 30 September 2008. According to the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming the Completion took place on 30 September 2008, the total assets and total liabilities would be increased to approximately HK$1,166.20 million and approximately HK$415.95 million respectively. Based on the above, the gearing ratio of the Group would be increased from 0.48 times to 0.49 times. The increase in the gearing ratio was due to the issue of the Convertible Bonds in the principal amount of HK$260 million to settle part of the Consideration.

(C) Working Capital

As stated in the "Letter from the Board", a portion of the Consideration for the Acquisition of HK$40 million has been settled by the internal resources of the Group. We note from the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular, the Acquisition would result in a shortfall in cash and cash equivalents of approximately HK$29.1 million as if the Acquisition had been completed as at 30 September 2008, which represents a large portion of the first installment of the Consideration. We understand that such shortfall had been made up by the total net proceeds of approximately HK$45.2 million from the Top-Up Subscription which had been completed on 29 May 2009.

According to the cash flow projections for the period from 1 June 2009 to 31 May 2010, the Enlarged Group will have cash inflows of approximately HK$74.39 million arising mainly from the rental income of the existing property investment and the possible financing alternatives of the Enlarged Group and cash outflows of approximately HK$137.79 million mainly for the installation of the equipment and machinery and the payment for the interest expenses of the Convertible Bonds. Accordingly, the Enlarged Group will have net cash outflow of approximately HK$63.39 million for the year immediately following the date of the Circular.

We have also reviewed the comfort letter issued by the auditors of the Company and discussed the cash flow projections with the management and auditors of the Company. The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the internal resources and presently available banking facilities of the Enlarged Group, the Enlarged Group may have insufficient working capital to meet its operation needs at present and for a period of 12 months from the date of the Circular. We understand from the management of the Company that the Company will seek other financing method to raise working capital for the Enlarged Group.

Given that the Mine requires huge amounts of the capital investment which will lead a negative impact on the liquidity position of the Enlarged Group, we consider that the Acquisition may put the Company's financial position at risk. As discussed with the management of the Company will try their best effort to seek alternative equity/debt financing methods in order to finance the Enlarged Group in the future. The Directors confirm to us that they will monitor the liquidity position of the Enlarged Group and expenditures of the Target Group after Completion. **Independent Shareholders should be noted that the progress of the mining project may be affected if there are no fundings successfully raised in near future.**

Independent Shareholders should also be aware that there is no guarantee that the Company can raise sufficient amount for capital investment of the Mine although the Acquisition may bring advantages to the Group. Under the principle of "high risk high return", Independent Shareholders should note that they will bear high risks of their investments while enjoying the possible of high returns in the Shares. Despite the possible risk above mentioned, in view that the Acquisition is beneficial for the Group to penetrate into the non-ferrous metals industry, we concur with the Directors' view that the Acquisition is fair and reasonable.

Further, we strongly recommend the Independent Shareholders to read the "Letter from the Board" and consider the merits and risk factors of the Acquisition before they cast their votes in the SGM. We also understand that Independent Shareholders are at liberty to vote according to their personal preference and circumstances. He/she/it should consult their own professional advisers if he/she/it is in any doubt about their positions.

(D) Net Assets Value

Based on the unaudited pro forma balance sheet of the Enlarged Group set out in Appendix IV to the Circular, the Enlarged Group will have net assets of approximately HK$750.25 million assuming the Completion took place on 30 September 2008. The increase in the net assets value was mainly due to the fair value of the adjustment on the Mining Licence of HK$813,728,000 and the corresponding minority interest of the Main Pacific Group and Shanghai Jiyi Group of HK$398,726,720.

It should be noted that the aforementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon Completion.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and the transaction contemplated thereunder is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the upcoming SGM to approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

A. SUMMARY OF FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 SEPTEMBER 2008 AND LAST THREE FINANCIAL YEARS

Set out below is a summary of the financial results and assets and liabilities of the Group as extracted from the interim report of the Company for six months ended 30 September 2008 and annual reports of the Company for each of the three years ended 31 March 2008:

Consolidated Income Statement

For the six months ended 30 September 2008 and each of the three years ended 31 March 2008:

	Six months ended 30 September	Year ended 31 March		
	2008	**2008**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
Continuing operations				
Turnover	13,112,000	18,743,981	5,658,580	2,938,429
Direct outgoings	(1,169,000)	(2,522,807)	(706,935)	–
	11,943,000	16,221,174	4,951,645	2,938,429
Valuation (deficit)/gains on investment properties	(163,456,000)	34,357,895	15,145,560	–
Other revenue	289,000	1,418,121	177,275	2,654
Other net income	–	–	12,495,110	–
Administrative expenses	(7,554,000)	(20,889,500)	(18,101,445)	(7,976,584)
Equity settled share-based payment expenses	–	(61,139,425)	–	–
Other operating expenses	(113,000)	(154,839)	(4,680)	(6,375)
(Loss)/profit from operations	(158,891,000)	(30,186,574)	14,663,465	(5,041,876)
Finance costs	(4,784,000)	(6,013,651)	–	(146)
(Loss)/profit before taxation	(163,675,000)	(36,200,225)	14,663,465	(5,042,022)
Income tax	43,138,000	7,424,031	(4,728,240)	–
(Loss)/profit for the year from continuing operations	(120,537,000)	(28,776,194)	9,935,225	(5,042,022)
Discontinued operations				
Loss for the year from discontinued operations	–	–	(28,551,269)	(24,761,000)
Loss for the year	(120,537,000)	(28,776,194)	(18,616,044)	(29,803,022)
Attributable to:				
Equity shareholders of the company	(120,537,000)	(28,776,194)	(18,616,044)	(29,803,022)

Consolidated Balance Sheet

As at 30 September 2008, 31 March 2008, 2007 and 2006:

	As at 30 September 2008 HK$	As at 31 March 2008 HK$	As at 31 March 2007 HK$	As at 31 March 2006 HK$
Non-current assets				
Property, plant and equipment	1,331,000	1,497,580	886,616	31,172,423
Investment properties	307,277,000	470,733,000	258,784,000	41,021,222
Interests in leasehold land held for own use under operating leases	–	–	–	4,351,938
Deferred tax assets	–	–	–	5,724
	308,608,000	472,230,580	259,670,616	76,551,307
Current assets				
Inventories	–	–	–	12,073,678
Trade and other receivables	25,712,000	19,996,963	2,155,325	10,861,982
Amount due from a director	–	14,777	–	–
Trading securities	79,000	192,480	–	–
Pledge deposits	–	–	–	500,000
Cash and cash equivalents	13,721,000	24,993,481	5,801,798	310,189
	39,512,000	45,197,701	7,957,123	23,745,849
Current liabilities				
Trade payables	–	–	–	12,622,220
Other payables and accruals	4,352,000	4,793,481	5,462,168	11,695,737
Amount due to directors	–	–	35,102	3,135,539
Due to a related party	–	–	–	13,941,893
Obligation underr finance lease	–	–	–	742,961
Interest-bearing borrowings	5,676,000	5,024,475	–	40,603,814
Tax payable	–	–	419,619	1,766,284
	10,028,000	9,817,956	5,916,889	84,508,448
Net current assets/(liabilities)	29,484,000	35,379,745	2,040,234	(60,762,599)
Total assets less current liabilities	338,092,000	507,610,325	261,710,850	15,788,708
Non-current liabilities				
Interest-bearing borrowings	99,889,000	104,397,425	–	1,270,754
Obligation under finance lease	–	–	–	188,174
Other payable	–	–	2,751,624	–
Long-term payable	–	–	162,504,072	–
Deferred tax liabilities	18,358,000	60,838,764	60,515,002	–
	118,247,000	165,236,189	225,770,698	1,458,928
NET ASSETS	219,845,000	342,374,136	35,940,152	14,329,780
CAPITAL AND RESERVES				
Share capital	17,637,000	17,636,982	83,878,577	58,299,577
Reserves	202,208,000	324,737,154	(47,938,425)	(43,969,797)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	219,845,000	342,374,136	35,940,152	14,329,780

Note: No qualified opinion has been issued by the Company's auditors in respect of the financial statements of the Group for each of the three years ended 31 March 2008.

B. ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

Set out below are the audited financial statements of the Group together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2008:

Consolidated Income Statement
Year ended 31 March 2008

	Note	**2008** *HK$*	**2007** *HK$*
Continuing operations			
Turnover	7	18,743,981	5,658,580
Direct outgoings		(2,522,807)	(706,935)
		16,221,174	4,951,645
Valuation gains on investment properties	17	34,357,895	15,145,560
Other revenue	7	1,418,121	177,275
Other net income	7	–	12,495,110
Administrative expenses		(20,889,500)	(18,101,445)
Equity settled share-based payment expenses	32	(61,139,425)	–
Other operating expenses		(154,839)	(4,680)
(Loss)/profit from operations	9	(30,186,574)	14,663,465
Finance costs	10	(6,013,651)	–
(Loss)/profit before taxation		(36,200,225)	14,663,465
Income tax	13	7,424,031	(4,728,240)
(Loss)/profit for the year from continuing operations		(28,776,194)	9,935,225
Discontinued operations			
Loss for the year from discontinued operations	8	–	(28,551,269)
Loss for the year		(28,776,194)	(18,616,044)
Attributable to:			
Equity shareholders of the company	14	(28,776,194)	(18,616,044)
(Loss)/earnings per share (2007: restated)	15		
From continuing and discontinued operations			
– Basic		HK(2.26) cents	HK(2.90) cents
– Diluted		N/A	N/A
From continuing operations			
– Basic		HK(2.26) cents	HK1.55 cents
– Diluted		N/A	HK1.55 cents

Consolidated Balance Sheet
As at 31 March 2008

	Note	2008 HK$	2007 HK$
Non-current assets			
Property, plant and equipment	16	1,497,580	886,616
Investment properties	17	470,733,000	258,784,000
Interests in leasehold land held for own use under operating leases	18	–	–
		472,230,580	259,670,616
Current assets			
Trade and other receivables	20	19,996,963	2,155,325
Amount due from a director	22	14,777	–
Trading securities	21	192,480	–
Cash and cash equivalents	23	24,993,481	5,801,798
		45,197,701	7,957,123
Current liabilities			
Other payables and accruals		4,793,481	5,462,168
Amount due to directors	24	–	35,102
Interest-bearing borrowings	26	5,024,475	–
Tax payable	28	–	419,619
		9,817,956	5,916,889
Net current assets		35,379,745	2,040,234
Total assets less current liabilities		507,610,325	261,710,850
Non-current liabilities			
Interest-bearing borrowings	26	104,397,425	–
Other payable	25	–	2,751,624
Long-term payable	27	–	162,504,072
Deferred tax liabilities	29	60,838,764	60,515,002
		165,236,189	225,770,698
NET ASSETS		342,374,136	35,940,152
CAPITAL AND RESERVES			
Share capital	31	17,636,982	83,878,577
Reserves	33	324,737,154	(47,938,425)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		342,374,136	35,940,152

Consolidated Statement of Changes in Equity
For the Year ended 31 March 2008

	Share capital *HK$*	Share premium *HK$*	Building revaluation reserve *HK$*	Special reserve *HK$*	Contributed surplus reserve *HK$*	Employee share-based compensation reserve *HK$*	Exchange fluctuation reserve *HK$*	(Accumulated losses)/ Retained profits *HK$*	Total *HK$*
At 1 April 2006	58,299,577	26,743,439	546,396	(11,152,801)	–	–	(457,315)	(59,649,516)	14,329,780
Issue of new shares *(note 31(c))*	11,600,000	1,740,000	–	–	–	–	–	–	13,340,000
Issue of new shares *(note 31(d))*	13,979,000	12,581,100	–	–	–	–	–	–	26,560,100
Share issuance expense	–	(153,465)	–	–	–	–	–	–	(153,465)
Exchange realignment	–	–	–	–	–	–	(93,436)	–	(93,436)
Reversal of deferred tax on disposal of properties	–	–	115,902	–	–	–	–	–	115,902
Disposal of properties *(note 17(c))*	–	–	(662,298)	–	–	–	–	662,298	–
Disposal of foreign operations	–	–	–	–	–	–	457,315	–	457,315
Loss for the year	–	–	–	–	–	–	–	(18,616,044)	(18,616,044)
At 31 March 2007	83,878,577	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	35,940,152
At 1 April 2007	83,878,577	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	35,940,152
Capital reorganisation *(note 31(a))*	(79,684,648)	(40,911,074)	–	–	20,867,880	–	–	99,727,842	–
Issue of new shares by open offer *(note 31(e))*	12,581,787	201,308,585	–	–	–	–	–	–	213,890,372
Share issuance expense	–	(6,327,049)	–	–	–	–	–	–	(6,327,049)
Exercise of share options *(note 31(f))*	22,516	147,484	–	–	–	–	–	–	170,000
Issue of new shares *(note 31(g))*	838,750	35,227,500	–	–	–	–	–	–	36,066,250
Equity settled share-based transactions	–	–	–	–	–	61,139,425	–	–	61,139,425
Options forfeited during the year	–	–	–	–	–	(9,285,168)	–	9,285,168	–
Exchange realignment	–	–	–	–	–	–	30,271,180	–	30,271,180
Loss for the year	–	–	–	–	–	–	–	(28,776,194)	(28,776,194)
At 31 March 2008	17,636,982	230,356,520	–	(11,152,801)	20,867,880	51,854,257	30,177,744	2,633,554	342,374,136
Reserves retained by the company and subsidiaries									
At 31 March 2008	17,636,982	230,356,520	–	(11,152,801)	20,867,880	51,854,257	30,177,744	2,633,554	342,374,136
At 31 March 2007	83,878,577	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	35,940,152

Consolidated Cash Flow Statement
For the Year ended 31 March 2008

	Note	2008 HK$	2007 HK$
Operating activities			
(Loss)/profit before taxation			
From continuing operations		(36,200,225)	14,663,465
From discontinued operations		–	(28,551,269)
Adjustments for:			
Amortisation of land lease premium		–	74,070
Finance costs		6,013,651	1,927,130
Interest income on bank deposits		(834,509)	(173,067)
Depreciation		325,834	1,373,552
Gain on disposal of property, plant and equipment		–	(9,089,307)
Valuation gains on investment properties		(34,357,895)	(15,145,560)
Unrealised losses on trading securities		154,839	–
Equity settled share-based payment expenses		61,139,425	–
Surplus on revaluation of buildings		–	(100,000)
Negative goodwill	*34(a)*	–	(3,405,803)
Gain on disposal of subsidiaries	*34(b)*	–	(2,440,813)
Loss on disposal of property, plant and equipment		–	5,507,581
Write down of inventories		–	5,191,601
Foreign exchange gain/(loss), net		996,973	(118,266)
Operating loss before changes in working capital		(2,761,907)	(30,286,686)
Decrease in inventories		–	1,837,320
Decrease in trade and other receivables		(2,406,638)	(649,268)
Increase in amount due from a director		(14,777)	–
Decrease in trade payables		–	(4,435,945)
Decrease in other payables and accruals		(668,687)	(2,854,437)
Decrease in amount due to directors		(35,102)	(1,422,743)
Cash used in operations		(5,887,111)	(37,811,759)
Tax refund/(paid)		18,809	(294,213)
Net cash used in operating activities		(5,868,302)	(38,105,972)

	Note	2008 HK$	2007 HK$
Investing activities			
Deposit paid for the purchase of investment properties		(15,435,000)	–
Purchase of investment properties		(131,818,943)	–
Purchase of plant and equipment		(823,320)	(672,507)
Interest received		834,509	173,067
Acquisition of trading securities		(347,319)	–
Cash outflow from acquisition of subsidiaries	*34(a)*	–	(17,215,220)
Cash outflow from disposal of subsidiaries	*34(b)*	–	(1,302,167)
Net proceeds from disposal of investment properties		–	73,529,412
Increase in pledged deposits		–	(1,000,000)
Net cash (used in)/generated from investing activities		(147,590,073)	53,512,585
Financing activities			
Proceeds from issue of shares		213,890,372	39,900,100
Inception of a bank loan		101,750,102	–
Repayment of bank loans		(2,035,002)	(32,558,256)
Exercise of share option		170,000	–
Repayment of other payable	*25*	(2,751,624)	–
Repayment of long-term payable		(126,437,822)	–
Capital element of finance lease rentals paid		–	(667,789)
Interest element of finance lease rentals paid		–	(52,653)
Interest paid		(6,013,651)	(1,874,477)
Share issuance expense		(6,327,049)	(153,465)
Repayment of loan from a related party		–	(13,882,280)
Net cash generated from/(used in) financing activities		172,245,326	(9,288,820)
Net increase in cash and cash equivalents		18,786,951	6,117,793
Cash and cash equivalents, at beginning of year		5,801,798	(315,995)
Effect of foreign exchange rate changes, net		404,732	–
Cash and cash equivalents, at end of year	*23*	24,993,481	5,801,798

Balance sheet
As at 31 March 2008

	Note	2008 HK$	2007 HK$
Non-current assets			
Plant and equipment	16	1,533	3,109
Interests in subsidiaries	19	240,920,126	183,681,072
		240,921,659	183,684,181
Current assets			
Deposits, prepayments and other receivables	20	168,000	1,651
Amount due from a director	22	14,777	–
Trading securities	21	192,480	–
Cash and cash equivalents	23	14,955,983	2,393,424
		15,331,240	2,395,075
Current liabilities			
Other payables and accruals		573,589	1,525,425
Amount due to directors	24	–	35,102
		573,589	1,560,527
Net current assets		14,757,651	834,548
Total assets less current liabilities		255,679,310	184,518,729
Non-current liabilities			
Long-term payable	27	–	162,504,072
NET ASSETS		255,679,310	22,014,657
CAPITAL AND RESERVES			
Share capital	31	17,636,982	83,878,577
Reserves	33	238,042,328	(61,863,920)
SHAREHOLDERS' EQUITY		255,679,310	22,014,657

Notes to the Financial Statements

For the Year ended 31 March 2008

1. CORPORATE INFORMATION

The company was incorporated in Bermuda with limited liability under the Companies Act (1981) of Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements. The company by passing of a special resolution by the shareholders of the company at the special general meeting of the company held on 28 November 2007, changed its name from "Northern International Holdings Limited" to "China Properties Investment Holdings Limited" with effect from 28 November 2007.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the group is set out in note 3.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for current accounting period of the group and the company. Note 4 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2008 comprise the company and its subsidiaries (together referred to as the "group"). The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties and trading securities are stated at their fair value as explained in the accounting policies set in notes 3(e) and 3(c) respectively below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

b) Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra -group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see note 3(g)).

c) Other investments in equity securities

The group's and the company's policies for investments in equity securities, other than investments in subsidiaries are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with a resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 3(m)(iii) and (iv).

Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

d) Property, plant and equipment

Properties held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(g)).

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Buildings situated on leasehold land	2% or over the lease terms, whichever is shorter
–	Leasehold improvements	20%
–	Plant and machinery	20% – 25%
–	Furniture and equipment	20%
–	Motor vehicles	20% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3(m)(i).

f) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

g) Impairment of assets

i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries – see note 3(b)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investments in subsidiaries (except for those classified as being held for sale); and

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cashgenerating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKSA 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, availablefor- sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance impairment losses for bad and doubtful debts (see note 3 (g)).

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

j) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends are recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

m) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

i) Rental income receivable under operating leases is recognised in the profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentive granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii) Property management services income is recognised when the services are provided.

iii) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iv) Interest income is recognised as it accrues using the effective interest method.

n) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

o) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the profit or loss in the period in which they are incurred.

p) Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discounted operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discounted operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

q) Related parties

For the purpose of these financial statements, parties are considered to be related to the group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

r) Employee benefits

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Share options granted to employees on or before 7 November 2002

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 exercised 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 share is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

s) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting system, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, property, plant and equipment and investment properties. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

t) Financial guarantees issued, provisions and contingent liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(t)(ii) if and when (1) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (2) the amount of that claims on the group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e., the amount initially recognised, less accumulated amortisation.

ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the group and the company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 37.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the group's and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 33(e).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 43).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Impairment of receivables

The group maintains impairment loss for doubtful accounts based upon evaluation of the recoverability of the accounts receivables and other receivables at each balance sheet date. The estimates are based on the ageing of the accounts receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment may be required.

6. SEGMENT INFORMATION

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary format because this is more relevant to the group's internal financial reporting.

The group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided.

Summary details of the business segments are as follows:

i) the properties investment segment comprises rental of investment properties and property management services;

ii) the snap off blade cutters segment manufactures and sells snap off blade cutters; and

iii) the electronic consumer products segment manufactures and sells electronic consumer products.

In determining the group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the financial year 2007, the group disposed of its snap off blade cutters and electronic consumer products business.

a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information of the group's business segments.

The group

	For the year ended 31 March 2008				
	Continuing operations	Discontinued operation			
	Properties investment	Snap off blade cutters	Electronic consumer products	Total	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Revenue					
External sales	18,743,981	–	–	–	18,743,981
Results					
Segment results	41,058,337	–	–	–	41,058,337
Interest income	834,509			–	834,509
Unallocated income	621			–	621
Unallocated corporate expenses	(72,080,041)			–	(72,080,041)
Loss from operations	(30,186,574)			–	(30,186,574)
Finance costs	(6,013,651)			–	(6,013,651)
Loss before taxation	(36,200,225)			–	(36,200,225)
Income tax	7,424,031			–	7,424,031
Loss from ordinary activities attributable to shareholders	(28,776,194)			–	(28,776,194)

	For the year ended 31 March 2007				
	Continuing operations	**Discontinued operation**			
	Snap Properties investment	**off blade cutters**	**Electronic consumer products**	**Total**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Revenue					
External sales	5,658,580	46,028,732	7,182,220	53,210,952	58,869,532
Results					
Segment results	15,121,549	(9,595,786)	(19,495,856)	(29,091,642)	(13,970,093)
Interest income	146,377			26,690	173,067
Unallocated income	3,405,808			2,440,813	5,846,621
Unallocated corporate expenses	(4,010,269)			–	(4,010,269)
Profit/(loss) from operations	14,663,465			(26,624,139)	(11,960,674)
Finance costs	–			(1,927,130)	(1,927,130)
Profit/(loss) before taxation	14,663,465			(28,551,269)	(13,887,804)
Income tax	(4,728,240)			–	(4,728,240)
Profit/(loss) from ordinary activities attributable to shareholders	9,935,225			(28,551,269)	(18,616,044)

	For the year ended 31 March 2008			
	Continuing operations	Discontinued operations		
	Properties investment	Snap off blade cutters	Electronic consumer products	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
Segment assets	502,095,504	–	–	502,095,504
Unallocated corporate assets				15,332,777
Consolidated total assets				517,428,281
Segment liabilities	174,480,557	–	–	174,480,557
Unallocated corporate liabilities				573,588
Consolidated total liabilities				175,054,145
Other segment information:				
Capital expenditure	132,642,263	–	–	132,642,263
Depreciation	325,834	–	–	325,834
Fair value adjustments of investment properties recognised directly in profit or loss	34,357,895	–	–	34,357,895

	For the year ended 31 March 2007			
	Continuing operations	Discontinued operations		
	Properties investment	Snap off blade cutters	Electronic consumer products	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
Segment assets	265,229,553	–	–	265,229,553
Unallocated corporate assets				2,398,186
Consolidated total assets				267,627,739
Segment liabilities	67,769,249	–	–	67,769,249
Unallocated corporate liabilities				163,918,338
Consolidated total liabilities				231,687,587
Other segment information:				
Capital expenditure	499,735	162,970	9,802	672,507
Depreciation	208,668	526,111	635,492	1,370,271
Unallocated depreciation				3,281
				1,373,552
Loss on disposal of plant and equipment	–	–	5,507,581	5,507,581
Write down of inventories	–	–	5,191,601	5,191,601
Revaluation surplus of buildings recognised directly in profit or loss	–	100,000	–	100,000
Fair value adjustments of investment properties recognised directly in profit or loss	15,145,560	–	–	15,145,560

b) Geographical segments

All segment assets, liabilities and capital expenditure are located in the mainland China and therefore no geographical segments are presented, except for the segment revenue. Segment revenue is presented based on the geographical location of customers.

An analysis of the group's revenue by geographical segment, as determined by the location of the customers operations, is as follows:

The group

	31 March 2008		
	Continuing operations	**Discontinued operations**	**Total**
	HK$	*HK$*	*HK$*
Turnover			
Hong Kong	–	–	–
Mainland China	18,743,981	–	18,743,981
Europe	–	–	–
North America	–	–	–
East Asia	–	–	–
Others*	–	–	–
	18,743,981	–	18,743,981

	31 March 2007		
	Continuing operations	**Discontinued operations**	**Total**
	HK$	*HK$*	*HK$*
Turnover			
Hong Kong	182,600	8,473,557	8,656,157
Mainland China	5,475,980	5,853,731	11,329,711
Europe	–	17,677,827	17,677,827
North America	–	7,575,531	7,575,531
East Asia	–	11,184,258	11,184,258
Others*	–	2,446,048	2,446,048
	5,658,580	53,210,952	58,869,532

* *including Brazil and Canada etc.*

7. TURNOVER, OTHER REVENUE AND NET INCOME

Turnover represents gross rental income, property management services income, net invoiced value of good sold, after allowances for returns and trade discounts and after elimination of all intra-group transactions.

	2008 *HK$*	2007 *HK$*
Turnover		
Gross rental income	16,992,158	5,658,580
Property management services income	1,751,823	–
Sales of snap off blade cutters	–	46,028,732
Sale of electronic consumer products	–	7,182,220
	18,743,981	58,869,532
Attributable to continuing operations	18,743,981	5,658,580
Attributable to discontinued operations	–	53,210,952
	18,743,981	58,869,532

Other revenue

	Continuing operations		Discontinued operations		Consolidated	
	2008 *HK$*	2007 *HK$*	2008 *HK$*	2007 *HK$*	2008 *HK$*	2007 *HK$*
Interest income on bank deposits	834,509	146,377	–	26,690	834,509	173,067
Total interest income on financial assets not at fair value through profit or loss	834,509	146,377	–	26,690	834,509	173,067
Sundry income	583,612	30,898	–	1,767,528	583,612	1,798,426
	1,418,121	177,275	–	1,794,218	1,418,121	1,971,493

Other net income

	Continuing operations		Discontinued operations		Consolidated	
	2008 *HK$*	2007 *HK$*	2008 *HK$*	2007 *HK$*	2008 *HK$*	2007 *HK$*
Surplus on revaluation of buildings	–	–	–	100,000	–	100,000
Gain on disposal of subsidiaries	–	–	–	2,440,813	–	2,440,813
Net gain on disposal of property, plant and equipment	–	9,089,307	–	–	–	9,089,307
Negative goodwill* *(note 34(a))*	–	3,405,803	–	–	–	3,405,803
	–	12,495,110	–	2,540,813	–	15,035,923

* *the amount represented the excess of the fair value of assets and liabilities of the subsidiaries acquired at the 28 November 2006, completion date of the transaction, and the total consideration HK$110,000,000 agreed between the company and vendor on 21 August 2006.*

8. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

On 7 February 2007, the company entered into a sale and purchase agreement, pursuant to which the company agreed to dispose of the entire issued share capital of Asian Field Holdings Corp. and its subsidiaries ("Asian Field group") and the right of and benefits in the sale loan from Mr. Chong Sing Yuen, an ex-director of the company, for a consideration of HK$2. The sale loan represents the shareholder loan as at 31 March 2007 after netting off of the amount capitalised (Note 34(b)(ii)).

The disposal was completed on 31 March 2007. The details of transaction have been disclosed in the company's circular dated 6 March 2007.

The results of the discontinued operations for the year ended 31 March 2007, which have been included in the consolidated income statement, were as follows:

	2008	**2007**
	HK$	*HK$*
Turnover		
Sales of snap off blade cutters	–	46,028,732
Sale of electronic consumer products	–	7,182,220
	–	53,210,952
Cost of sales	–	(52,863,856)
Gross profit	–	347,096
Other revenue	–	1,794,218
Other net income	–	100,000
Distribution costs	–	(4,984,297)
Administrative expenses	–	(20,511,551)
Other operating expenses	–	(5,810,418)
Loss from operations	–	(29,064,952)
Finance costs	–	(1,927,130)
Gain on disposal of operation	–	2,440,813
Loss before taxation	–	(28,551,269)
Income tax	–	–
Loss for the year	–	(28,551,269)

The carrying amounts of assets and liabilities of the discontinued operations as at the date of disposal were as follows:

	As at the date of disposal
	HK$
Total assets	23,874,169
Total liabilities	(88,881,349)

The cash flows from the discontinued operations for the year ended 31 March 2007, were as follows:

	2008	2007
	HK$	*HK$*
Net cash used in operating activities	–	(34,847,050)
Net cash used in investing activities	–	(2,448,249)
Net cash used in financing activities	–	(35,530,455)

9. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations was arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Auditor's remuneration	430,000	426,100	–	–	430,000	426,100
Cost of inventories	–	–	–	52,863,856	–	52,863,856
Staff costs (including directors' remuneration)						
– Wages, salaries and other benefits	7,685,728	9,851,815	–	7,936,595	7,685,728	17,788,410
– Pensions scheme contribution	84,918	55,080	–	840,789	84,918	895,869
– Equity settled share-based payment expenses *(note 32)*	61,139,425	–	–	–	61,139,425	–
	68,910,071	9,906,895	–	8,777,384	68,910,071	18,684,279
Depreciation	325,834	211,949	–	1,161,603	325,834	1,373,552
Amortisation of land lease premium	–	–	–	74,070	–	74,070
Exchange loss/(gain), net	558,090	101	–	(450,752)	558,090	(450,651)
Minimum lease payments under operating leases for motor vehicles	–	–	–	197,500	–	197,500
Loss on disposal of plant and equipment	–	–	–	5,507,581*	–	5,507,581
Write down of inventories	–	–	–	5,191,601*	–	5,191,601

* *In June 2006, the group terminated the operations of electronic consumer products due to continuously under performance. Loss on disposal of plant and equipment and write down of inventories relating to this operations were recognised in the profit or loss accordingly.*

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Interest expenses on bank loans, overdrafts and other loans wholly repayable within five years	–	–	–	1,874,477	–	1,874,477
Interest expenses on bank loans wholly repayable after five years	6,013,651	–	–	–	6,013,651	–
Finance charges on obligations under finance leases	–	–	–	52,653	–	52,653
Total interest expenses on financial liabilities not at fair value through profit or loss	6,013,651	–	–	1,927,130	6,013,651	1,927,130

11. DIRECTORS' REMUNERATION

The aggregate amounts of the directors' remuneration, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2008						
	Fees	**Salaries and other benefits**	**Compensation for loss of office**	**Retirement scheme contributions**	**Sub-total**	**Share-based payments** *(note)*	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors							
Zhao Qing Ji	–	2,076,314	–	12,000	2,088,314	14,713,583	16,801,897
Lu Xiao Dong (resigned on 28 February 2008)	–	662,195	–	12,000	674,195	4,642,584	5,316,779
Au Tat On	–	268,500	–	9,750	278,250	4,642,584	4,920,834
Wong Siu Keung, Joe (resigned on 1 July 2007)	–	141,652	–	3,000	144,652	–	144,652
	–	3,148,661	–	36,750	3,185,411	23,998,751	27,184,162
Independent non-executive directors							
Chan Mei Bo (appointed on 1 June 2007)	100,000	–	–	–	100,000	–	100,000
Wang Dong (appointed on 1 November 2007)	41,667	–	–	–	41,667	–	41,667
Yeung King Wah (resigned on 1 June 2007)	24,137	–	–	–	24,137	–	24,137
Cheng Kwok Hing, Andy (resigned on 1 November 2007)	17,500	–	–	–	17,500	–	17,500
Yeung Yuen Hei	60,000	–	–	–	60,000	–	60,000
	243,304	–	–	–	243,304	–	243,304
Total	243,304	3,148,661	–	36,750	3,428,715	23,998,751	27,427,466

	Fees	Salaries and other benefits	Compensation for loss of office	2007 Retirement scheme contributions	Sub-total	Share-based payments *(note)*	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors							
Chong Sing Yuen (resigned on 7 January 2007)	–	11,543,956	–	15,000	11,558,956	–	11,558,956
Zhao Qing Ji (appointed on 30 November 2006)	–	248,207	–	4,103	252,310	–	252,310
Lu Xiao Dong (appointed on 12 May 2006)	–	156,452	–	7,823	164,275	–	164,275
Au Tat On (appointed on 12 May 2006)	–	141,452	–	7,073	148,525	–	148,525
Wong Siu Keung, Joe	–	534,258	–	12,688	546,946	–	546,946
Chong Chun Kwok, Piggy (resigned on 12 May 2006)	–	66,998	–	2,443	69,441	–	69,441
Chong Chun Hing (resigned on 12 May 2006)	–	–	–	–	–	–	–
Chu Kiu Fat (resigned on 20 April 2006)	–	–	–	–	–	–	–
	–	12,691,323	–	49,130	12,740,453	–	12,740,453
Independent non-executive directors							
Chan Ping Yim (resigned on 26 May 2006)	1,774	–	–	–	1,774	–	1,774
Yeung King Wah (appointed on 26 May 2006)	107,963	–	–	–	107,963	–	107,963
Cheng Kwok Hing, Andy	30,000	–	–	–	30,000	–	30,000
Yeung Yuen Hei	60,000	–	–	–	60,000	–	60,000
	199,737	–	–	–	199,737	–	199,737
Total	199,737	12,691,323	–	49,130	12,940,190	–	12,940,190

Note:

These represent the estimated value of share options granted to the directors under the company's share option scheme. The value of these share options is measured according to the group's accounting policies for share-based payment transactions as set out in note 3(r)(ii).

The options of 17,635,000 granted to Mr. Lu Xiao Dong were forfeited as he resigned as director of the company on 28 February 2008. The fair value of the options granted to him amounting to HK$4,642,584 was transferred from employee share-based compensation reserve to retained profits.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: two) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments in respect of the other two (2007: three) individuals are as follows:

	2008	**2007**
	HK$	*HK$*
Salaries, allowances and benefits in kind	1,738,855	1,664,822
Retirement scheme contributions	24,000	29,000
	1,762,855	1,693,822
Share-based payments *(note)*	9,285,168	–
	11,048,023	1,693,822

Note:

These represent the estimated value of share options granted to the employees under the company's share option scheme. The value of these share options is measured according to the group's accounting policies for share-based payment transactions as set out in note 3(r)(ii).

The options of 17,635,000 granted to an employee (one of the other two individuals) were forfeited as he resigned during the year. The fair value of the options granted to him amounting to HK$4,642,584 was transferred from employee share-based compensation reserve to retained profits.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 32.

The remuneration of the two (2007: three) individuals with highest emoluments including sharebased payments are within the following bands:

	Number of individuals	
	2008	**2007**
HK$Nil – HK$1,000,000	–	2
HK$1,000,001 – HK$2,000,000	–	1
HK$5,000,001 – HK$6,000,000	1	–
HK$6,000,001 – HK$7,000,000	1	–
	2	3

13. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) No provision for Hong Kong profits tax has been provided for the year as the group had no estimated assessable profits for the year (2007: Nil).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

	The group	
	2008	**2007**
	HK$	*HK$*
Current tax		
Hong Kong	–	–
Mainland China – over-provision in prior years	(462,491)	–
	(462,491)	–
Deferred tax *(note 29)*	(6,961,540)	4,728,240
Tax (credit)/expense	(7,424,031)	4,728,240
Tax (credit)/expense for continuing operations	(7,424,031)	4,728,240
Tax (credit)/expense for discontinued operations	–	–
	(7,424,031)	4,728,240

(b) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of mainland China ("New Tax Law") which took effect on 1 January 2008. Mainland China income tax rate is unified to 25% for all enterprises.

The State Council of mainland China passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rate will be adjusted to the standard rate of 25%.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable. The carrying amount of deferred tax liabilities changed resulted from the change in the tax rate (see note 29).

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in mainland China or which have an establishment or place of business in mainland China but whose relevant income is not effectively connected with the establishment or place of business in mainland China, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within mainland China. As certain of the group's foreign-invested enterprises are directly held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. The group has already assessed the impact of the New Tax Law regarding this withholding tax and considered that the New Tax Law would not have a significant impact on the results of operations and financial position of the group as at 31 March 2008.

According to the notice Caishui 2008 No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreigninvested enterprise to a foreign investor in 2008 or after are exempt from corporate income tax. Accordingly, the retained profits as at 31 March 2008 in the group's foreigninvested enterprise's books and accounts will not be subject to 5% or 10% withholding tax on future distributions.

(c) Reconciliation between tax expense and accounting loss at applicable tax rate:

The group

	2008	**2007**
	HK$	*HK$*
Loss before taxation	(36,200,225)	(13,887,804)
Notional tax on loss before taxation, calculated at the tax rate applicable to profits in the jurisdictions concerned	(3,418,114)	(1,052,031)
Tax effect of changes in mainland China income tax rate	(15,551,014)	–
Tax effect of non-taxable income	(1,595,809)	(375,221)
Tax effect of non-deductible expenses	11,086,521	981,468
Tax effect of unused tax losses not recognised	2,516,644	5,173,504
Over-provision in prior years	(462,491)	–
Others	232	520
Actual tax (credit)/expense	(7,424,031)	4,728,240
Tax (credit)/expense for continuing operations	(7,424,031)	4,728,240
Tax (credit)/expense for discontinued operations	–	–
	(7,424,031)	4,728,240

14. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the company includes a loss of approximately HK$71,274,345 (2007: HK$62,619,123) which has been dealt with in the financial statements of the company.

15. (LOSS)/EARNINGS PER SHARE

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

	2008	2007
	HK$	*HK$*
(Loss)/earnings for the purpose of basic (loss)/earnings per share (attributable to equity shareholders of the company)		
From continuing operations	(28,776,194)	9,935,225
From discontinued operations	–	(28,551,269)
	(28,776,194)	(18,616,044)

	2008	2007
		(restated)
Number of ordinary shares		
Weighted average number of ordinary shares at 31 March, for basic (loss)/earnings per share	1,272,604,619	641,815,366
Deemed issue of ordinary shares under the company's share option scheme for nominal consideration	N/A	501,544
Weighted average number of ordinary shares at 31 March for diluted (loss)/earnings per share	N/A	642,316,910

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2008 has accounted for the effect of issuance of new shares pursuant to the open offer which was completed in August 2007. The corresponding weighted average number of ordinary shares of 2007 has been retrospectively adjusted to reflect the said open offer.

Diluted loss per share for continuing and discontinued operations for the years ended 31 March 2008 and 2007 and diluted loss per share for continuing operations for the year ended 31 March 2008 have not been disclosed as the impact of the potential ordinary shares was antidilutive.

The calculation of diluted earnings per share for continuing operations for the year ended 31 March 2007 is based on the earnings attributable to equity shareholders of HK$9,935,225 and the weighted average number of 642,316,910 ordinary shares after adjusting for the effects of all dilutive potential shares under the company's share option scheme.

16. PROPERTY, PLANT AND EQUIPMENT

The group

	Buildings held for own use carried at fair value	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost or valuation						
At 1 April 2006	24,268,000	8,757,892	36,839,095	10,788,906	1,394,896	82,048,789
Acquisition of subsidiaries	–	35,720	–	208,761	352,360	596,841
Surplus on revaluation	100,000	–	–	–	–	100,000
Disposal of subsidiaries	(1,720,000)	–	(10,841,943)	(619,066)	–	(13,181,009)
Additions	–	–	172,772	17,798	481,937	672,507
Transfer to investment properties	(1,048,000)	–	–	–	–	(1,048,000)
Disposal	(21,600,000)	(8,272,342)	(26,938,471)	(10,034,278)	(1,335,596)	(68,180,687)
Exchange realignment	–	9,615	768,547	–	13,503	791,665
At 31 March 2007	–	530,885	–	362,121	907,100	1,800,106
Analysis of cost or revaluation						
At cost	–	530,885	–	362,121	907,100	1,800,106
At valuation	–	–	–	–	–	–
	–	530,885	–	362,121	907,100	1,800,106
At 1 April 2007	–	530,885	–	362,121	907,100	1,800,106
Additions	–	–	–	211,635	611,685	823,320
Disposal	–	(495,167)	–	–	–	(495,167)
Exchange realignment	–	1,611	–	122,731	92,652	216,994
At 31 March 2008	–	37,329	–	696,487	1,611,437	2,345,253
Analysis of cost or revaluation						
At cost	–	37,329	–	696,487	1,611,437	2,345,253
At valuation	–	–	–	–	–	–
	–	37,329	–	696,487	1,611,437	2,345,253

	Buildings held for own use carried at fair value	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Accumulated depreciation						
At 1 April 2006	–	6,520,614	32,270,623	10,690,233	1,394,896	50,876,366
Charge for the year	–	211,695	861,811	109,556	190,490	1,373,552
Disposal	–	(6,246,479)	(23,456,754)	(10,034,278)	(1,335,595)	(41,073,106)
Disposal of subsidiaries	–	–	(10,419,399)	(610,760)	–	(11,030,159)
Exchange realignment	–	9,615	743,719	–	13,503	766,837
At 31 March 2007	–	495,445	–	154,751	263,294	913,490
At 1 April 2007	–	495,445	–	154,751	263,294	913,490
Charge for the year	–	840	–	80,923	244,071	325,834
Disposal	–	(495,167)	–	–	–	(495,167)
Exchange realignment	–	1,609	–	98,124	3,783	103,516
At 31 March 2008	–	2,727	–	333,798	511,148	847,673
Net book value						
At 31 March 2008	–	34,602	–	362,689	1,100,289	1,497,580
At 31 March 2007	–	35,440	–	207,370	643,806	886,616

The company

	Furniture and equipment
	HK$
Cost	
At 1 April 2006	139,962
Additions	–
At 31 March 2007	139,962
At 1 April 2007	139,962
Additions	–
At 31 March 2008	139,962
Accumulated depreciation	
At 1 April 2006	133,572
Charge for the year	3,281
At 31 March 2007	136,853
At 1 April 2007	136,853
Charge for the year	1,576
At 31 March 2008	138,429
Net book value	
At 31 March 2008	1,533
At 31 March 2007	3,109

17. INVESTMENT PROPERTIES

The group

	HK$
Valuation:	
At 1 April 2006	41,021,222
Transfer from property, plant and equipment and interests in leasehold land held for own use under operating leases *(note c)*	2,022,440
Acquired on acquisition of subsidiaries	244,456,000
Disposals	(41,021,222)
Disposal of subsidiaries	(2,840,000)
Surplus on revaluation	15,145,560
At 31 March 2007 *(note b)*	258,784,000
At 1 April 2007	258,784,000
Additions	131,818,943
Exchange realignment	45,772,162
Surplus on revaluation	34,357,895
At 31 March 2008 *(note a)*	470,733,000

The group's investment properties are held in mainland China under medium-term leases.

(a) All of the group's investment properties were revalued on 31 March 2008 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has appropriate qualification and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income receivable from the existing tenancies and the reversionary rental income potential where appropriate. The investment properties are leased to third parties under operating leases, further details of which are included in note 35(b) to the financial statements.

The group's investment properties with a total carrying value of HK$305,120,000 at 31 March 2008 have been pledged to secure general banking facilities granted to the group (note 26).

(b) The group's investment properties with a total carrying value of HK$258,784,000 at 31 March 2007 were pledged to secure general banking facilities granted to Shanghai Xiwu Industry Co., Ltd, Shanghai Chen Xuan Trading Co., Ltd and Shanghai Xu Hui Co., Ltd, all are independent third parties to the group (note 36).

(c) The property was disposed when the group disposed its subsidiaries on 31 March 2007 (see note 34(b)).

18. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The group

	Hong Kong	Mainland China	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 April 2006	3,008,554	2,562,333	5,570,887
Disposals	–	(2,562,333)	(2,562,333)
Disposal of subsidiaries	(1,826,784)	–	(1,826,784)
Transfer to investment properties	(1,181,770)	–	(1,181,770)
At 31 March 2007 and 31 March 2008	–	–	–
Amortisation			
At 1 April 2006	502,239	716,710	1,218,949
Charge for the year	47,330	26,740	74,070
Disposals	–	(743,450)	(743,450)
Disposal of subsidiaries	(342,239)	–	(342,239)
Transfer to investment properties	(207,330)	–	(207,330)
At 31 March 2007 and 31 March 2008	–	–	–
Net book value			
At 31 March 2008	–	–	–
At 31 March 2007	–	–	–

The interests in leasehold land held for own use under operating leases in Hong Kong and mainland China were amortised over the lease term of 50 years on a straight-line basis.

During the financial year 2007, interests in leasehold land held for own use under operating leases with a total carrying value of HK$974,440 (approximate to its fair value) were transferred to investment properties for rental purpose. This leasehold land was previously used as warehouse but ceased using upon cessation of the related activities during the financial year 2007.

19. INTERESTS IN SUBSIDIARIES

	The company	
	2008	**2007**
	HK$	*HK$*
Unlisted shares, at cost	145,741,008	145,741,008
De-registration of a subsidiary	(8)	–
	145,741,000	145,741,008
Less: Impairment losses		
At 1 April	35,741,008	35,741,008
De-registration of a subsidiary	(8)	–
At 31 March	35,741,000	35,741,008
Unlisted shares, at cost (net)	110,000,000	110,000,000
Amount due from subsidiaries	132,397,910	75,233,472
Less: Impairment losses		
At 1 April	1,552,400	77,516
Impairment loss recognised	4,640	1,474,884
De-registration of subsidiaries	(79,256)	–
At 31 March	1,477,784	1,552,400
Due from subsidiaries (net)	130,920,126	73,681,072
	240,920,126	183,681,072

The amounts due from subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

In prior year, the carrying amount of interests in subsidiaries was impaired by HK$37,293,408 representing investment cost of HK$35,741,008 and due from subsidiaries of HK$1,552,400 due to poor financial position of the subsidiaries and that they might not have the ability to fully repay the outstanding balance. During the year ended 31 March 2008, the operating performance of the relevant subsidiaries did not improve and a further impairment of HK$4,640 was made. Investment cost of HK$8 and due from subsidiaries of HK$79,256 were written off as these subsidiaries were de-registered during the year. Impairment losses of HK$37,218,784 representing investment cost of HK$35,741,000 and due from subsidiaries of HK$1,477,784 were carried in the balance sheet as at 31 March 2008.

The following are the particulars of subsidiaries which principally affected the results, assets and liabilities of the group. The class of shares held are ordinary unless otherwise stated.

All these companies are controlled subsidiaries as defined under note 3(b) and have been consolidated into the group financial statements.

Name	Place of incorporation/ registered and operations	Nominal value of issued ordinary/ registered share capital	Proportion of ownership interest Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Luck Grow Group Limited	The British Virgins Island	US$1	100	100	–	Investment holding
Lok Wing Group Limited ("Lok Wing")	Hong Kong	HK$50,000,000	100	–	100	Investment holding
Shanghai Xiang Chen Hang Place The Industry Co Ltd ("Shanghai Xiang Chen Hang")*	mainland China	US$12,571,890**	100	–	100	Property investment

* *Registered under the laws of the mainland China as a wholly-foreign-owned enterprise.*

** *The registered capital of Shanghai Xiang Chen Hang is US$17,000,000 and US$12,571,890 has been paid up. In accordance with the relevant rules and regulation, the remaining unpaid registered capital have to be paid up on or before 29 August 2008. According to《中華人民共和國外資企業法實施細則》(Rules for the Implementation of the Law of the People's Republic of China on Foreignfunded Enterprises), Lok Wing, an immediate parent of Shanghai Xiang Chen Hang, is required to settle all the outstanding amount (i.e., US$4,428,110) of capital on or before 29 August 2008. Otherwise, the Certificate of Incorporation of Shanghai Xiang Chen Hang will become invalid with immediate effect.*

20. TRADE AND OTHER RECEIVABLES

	The group 2008 *HK$*	The group 2007 *HK$*	The company 2008 *HK$*	The company 2007 *HK$*
Rental receivables	2,177,111	1,524,752	–	–
Deposits, prepayments and other receivables	17,819,852	630,573	168,000	1,651
	19,996,963	2,155,325	168,000	1,651

All of the trade and other receivables are expected to be recovered within one year.

Included in deposits, prepayments and other receivables is a deposit of HK$15.4 million paid to Shanghai Xu Hui Co., Ltd. (the "Vendor") an independent third party, upon signing of a sale and purchase agreement on 10 July 2007 for the purchase of investment properties located in mainland China amounting to HK$30.9 million. Pursuant to a termination notice dated 2 July 2008 issued by the group, the transaction was terminated and the deposit together with the interest accrued is required to be refunded by the Vendor to the group within 3 months from the date of the termination notice (see note 40).

Rental receivables that are not impaired

The ageing analysis of tenants that are neither individually nor collectively considered to be impaired are as follows:

	The group		The company	
	2008	**2007**	**2008**	**2007**
	HK$	*HK$*	*HK$*	*HK$*
Within 3 months past due	1,537,115	381,188	–	–
More than 3 months but less than 6 months past due	579,996	1,143,564	–	–
	2,117,111	1,524,752	–	–

Receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group does not hold any collateral over these balances.

21. TRADING SECURITIES

	The group and the company	
	2008	**2007**
	HK$	*HK$*
Listed equity securities, at market value in Hong Kong	192,480	–

22. AMOUNT DUE FROM A DIRECTOR

The group and the company

Particulars of amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of director	**Balance at end of year**	**Balance at beginning of year**	**Maximum outstanding balance during the year**
	HK$	*HK$*	*HK$*
Zhao Qing Ji	14,777	–	14,777

The amount is unsecured, interest-free and has no fixed terms of repayment.

23. CASH AND CASH EQUIVALENTS

	The group		The company	
	2008	2007	2008	2007
	HK$	*HK$*	*HK$*	*HK$*
Cash and cash equivalents in the balance sheet and consolidated cash flow statement	24,993,481	5,801,798	14,955,983	2,393,424

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group		The company	
	2008	2007	2008	2007
United States Dollars	5,379	3,714	131	129

24. AMOUNT DUE TO DIRECTORS

The amounts were unsecured, interest-free and repayable on demand.

25. OTHER PAYABLE

The amount represents cash advance from Mr. Peter D. Xu and was unsecured, interest-free and not repayable within one year. The amount was repaid during the year.

26. INTEREST-BEARING BORROWINGS

At 31 March 2008, the bank loan was repayable as follows:

	The group	
	2008	2007
	HK$	*HK$*
Within 1 year or on demand	5,024,475	–
After 1 year but within 2 years	5,582,849	–
After 2 years but within 5 years	25,122,823	–
After 5 years	73,691,753	–
	104,397,425	–
Total	109,421,900	–

At 31 March 2008, the bank loan was secured by the investment properties of the group with a total carrying value of HK$305,120,000 (see note 17).

27. LONG-TERM PAYABLE

During the year ended 31 March 2007, the group acquired 100% equity interest in Luck Grow Group Limited and a sale loan from Mr. Peter D. Xu, an independent third party, for a consideration of HK$182.5 million which was satisfied by a cash payment of HK$24.8 million and promissory notes of HK$157.7 million. The company paid HK$20 million during the financial year 2007 as partial settlement of the cash consideration and the repayment of the remaining balance of HK$4.8 million as agreed with Mr. Peter D. Xu will not be repayable within one year. Promissory notes for the settlement of HK$157.7 million was issued in July 2007 when the conditions under the sale and purchase agreement signed on 21 August 2006 for issuing the promissory notes were not yet fulfilled. The total outstanding balance of HK$162.5 million including the remaining balance of the cash payment of HK$4.8 million and HK$157.7 million promissory notes had been settled by the group during the year ended 31 March 2008.

28. TAXATION IN THE CONSOLIDATED BALANCE SHEET

Current taxation in the consolidated balance sheet represents:

	2008	**2007**
	HK$	*HK$*
Provision for Hong Kong profits tax	–	–
Provision for mainland China enterprise income tax	–	419,619
	–	419,619

29. DEFERRED TAX ASSETS/(LIABILITIES)

a) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	**Accelerated tax depreciation**	**Fair value adjustments arising from acquisition of subsidiaries**	**Revaluation of buildings**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2006	(47,859)	169,485	(115,902)	5,724
Disposal of properties	–	–	115,902	115,902
Disposal of subsidiaries *(note 34 (b))*	47,859	(169,485)	–	(121,626)
Acquisition of subsidiaries *(note 34(a))*	–	–	(55,786,762)*	(55,786,762)
Deferred tax charged to the profit or loss	–	–	(4,728,240)**	(4,728,240)
At 31 March 2007	–	–	(60,515,002)	(60,515,002)

Deferred tax arising from:	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of buildings	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2007	–	–	(60,515,002)	(60,515,002)
Effect of change in mainland China income tax rates	–	–	15,551,014#	15,551,014
Deferred tax charged for the year	–	–	(8,589,474)**	(8,589,474)
Deferred tax charged to the profit or loss	–	–	6,961,540	6,961,540
Exchange alignment	–	–	(7,285,302)	(7,285,302)
At 31 March 2008	–	–	(60,838,764)	(60,838,764)

* The deferred tax liabilities arose from the fair value adjustments on the investment properties held by the subsidiaries immediately before the acquisition (note 17). The amount has been previously charged to profit or loss in the books of the subsidiaries.

** The amount represented deferred tax liabilities on the fair value adjustments on investment properties held by the subsidiaries after the acquisition.

The amount represented the effect of the enactment of the New Tax Law in mainland China on the fair value adjustment on investment properties held by the subsidiaries after the acquisition.

	2008	2007
	HK$	*HK$*
Net deferred tax liabilities recognised in the balance sheet	(60,838,764)	(60,515,002)

b) Deferred tax assets not recognised

The group has tax losses arising in Hong Kong of HK$29,806,004 (2007: HK$21,305,275) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is uncertain that these companies will have any foreseeable profits in the near future.

At 31 March 2008, there is no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries as the group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the company to its shareholders.

30. PROMISSORY NOTES

In July 2007, as the conditions under the sale and purchase agreement dated 21 August 2006, as more fully explained in note 27, were fulfilled, the company issued promissory notes to Mr. Peter D. Xu in the amount of HK$157.7 million. The promissory notes borne interest at 5% per annum and are payable together with interest by cash on the date falling on the fifth anniversary of the date of issue.

Part of the promissory notes was repaid from the proceeds of an open offer of the company's shares during the year. Repayments of HK$25 million and HK$96.6 million were made in September 2007 and October 2007 respectively. The remaining balance of HK$36.1 million of the promissory notes was fully settled by setting off the proceeds from a share placement in October 2007 as stated in note 31(g) of these financial statements. Total interest of approximately HK$1,736,064 for the period from issuance of the promissory notes on 18 July 2007 and 20 July 2007 respectively to the settlement date on 31 October 2007 was waived by Mr. Peter D. Xu.

31. SHARE CAPITAL

	2008		2007	
	No. of shares	Amount *HK$*	No. of shares	Amount *HK$*
Ordinary shares of HK$0.2 each at 1 April 2007 and HK$0.01 each at 31 March 2008				
Authorised				
Beginning of year	1,500,000,000	300,000,000	1,500,000,000	300,000,000
Capital reorganisation *(note a)*	–	(285,000,000)	–	–
Increase during the year *(note b)*	2,000,000,000	20,000,000	–	–
End of year	3,500,000,000	35,000,000	1,500,000,000	300,000,000
Issued and fully paid				
Beginning of year	419,392,885	83,878,577	291,497,885	58,299,577
Capital reorganisation *(note a)*	–	(79,684,648)	–	–
Issue of new shares *(note c)*	–	–	58,000,000	11,600,000
Issue of new shares *(note d)*	–	–	69,895,000	13,979,000
Issue of new shares *(note e)*	1,258,178,656	12,581,787	–	–
Exercise of share options *(note f)*	2,251,650	22,516	–	–
Issue of new shares *(note g)*	83,875,000	838,750	–	–
End of year	1,763,698,191	17,636,982	419,392,885	83,878,577

Notes:

a) An ordinary resolution was passed at a special general meeting held on 21 May 2007 for approving the capital reorganisation scheme of the company. Pursuant to the scheme, the authorised share capital was reduced from HK$300,000,000 of 1,500,000,000 shares of HK$0.2 each to HK$15,000,000 of 1,500,000,000 shares of HK$0.01 each by cancelling the amount of HK$285,000,000 or HK$0.19 per share and the issued share capital was reduced from 419,392,885 shares of HK$0.2 each to 419,392,885 shares of HK$0.01 each by cancelling of HK$0.19 from each share together with the associated share premium of HK$40.9 million and a credit of approximately HK$120.6 million was transferred to the contributed surplus account. Part of the contributed surplus amounting to approximately HK$99.7 million was applied to eliminate the accumulated deficits. A surplus of approximately HK$20.9 million standing to the credit of the contributed surplus account remained after the completion of the capital reorganization. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the company and all applicable laws of Bermuda, including to apply such credit against the accumulated losses of the company.

b) By an ordinary resolution passed at a special general meeting held on 31 August 2007, the company's authorised share capital was increased to HK$35,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK$0.01 each.

c) On 18 March 2006, the company and an independent subscriber entered into a conditional agreement for the subscription of 58,000,000 shares at a price HK$0.23 each. Net proceeds of the subscription were approximately HK$13.34 million.

d) On 29 December 2006, the company issued 69,895,000 shares at a price of HK$0.38 to ten independent subscribers. Net proceeds of the subscription were approximately HK$26.3 million and was used as general working capital.

e) By an ordinary resolution passed at a special general meeting held on 31 August 2007, the company issued 1,258,178,656 shares at HK$0.17 each by an open offer.

f) By an ordinary resolution passed on 28 September 2007, the company issued 2,251,650 shares at an exercise price of HK$0.0755 under the company's share option scheme.

g) On 31 October 2007, the company issued 83,875,000 shares at HK$0.43 each to Mr. Peter D. Xu, the promissory notes holder. The gross proceeds from the issue were approximately HK$36.1 million and were utilised for setting off the remaining balance of the promissory notes.

32. SHARE OPTION SCHEME

The company has a share option scheme which was adopted on 4 October 2002 whereby the directors of the company are authorised, at their discretion, to invite the company's directors (including independent non-executive directors), other employees of the group, suppliers of goods or services to the group, customers of the group, persons or entities that provided research, development or other technological support to the group and any minority shareholder in the company's subsidiaries, to take up options at a nominal consideration to subscribe for shares of the company. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options vest immediately from the date of the grant. The options are exercisable after the vesting date but within a period from 28 November 2007 to 3 October 2012 from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the company.

a) The terms and conditions of the grants that existed during the years are as follows:

For the year ended 31 March 2008

Name or category of participant	Outstanding at 1 April 2007	Granted during the year	Effect of open offer	Exercise during the year	Forfeited during the year	Expired during the year	Outstanding at 31 March 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	Number of share options									*HK$*
Directors										
Mr. Wong Siu Keung, Joe	850,000	–	1,401,650	(2,251,650)	–	–	–	30-10-2002	30-10-2002 to 29-10-2012	0.01
Mr. Zhao Qing Ji	–	55,890,000	–	–	–	–	55,890,000	28-11-2007	28-11-2007 to 3-10-2012	0.6
Mr. Lu Xiao Dong	–	17,635,000	–	–	(17,635,000)	–	–	28-11-2007	28-11-2007 to 3-10-2012	0.6
Mr. Au Tat On	–	17,635,000	–	–	–	–	17,635,000	28-11-2007	28-11-2007 to 3-10-2012	0.6
	850,000	91,160,000	1,401,650	(2,251,650)	(17,635,000)	–	73,525,000			
Employees										
Other employees	–	141,080,000	–	–	(17,635,000)	–	123,445,000	28-11-2007	28-11-2007 to 3-10-2012	0.6
	–	141,080,000	–	–	(17,635,000)	–	123,445,000			
Total share options	850,000	232,240,000	1,401,650	(2,251,650)	(35,270,000)	–	196,970,000			

For the year ended 31 March 2007

Name or category of participant	Outstanding at 1 April 2007	Granted during the year	Effect of open offer	Exercise during the year	Forfeited during the year	Expired during the year	Outstanding at 31 March 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	Number of share options									*HK$*
Directors										
Mr. Wong Siu Keung, Joe	850,000	–	–	–	–	–	850,000	30-10-2002	30-10-2002 to 29-10-2012	0.2
	850,000	–	–	–	–	–	850,000			
Employees										
Other employees	92,500	–	–	–	(62,500)	–	30,000	31-10-2002	31-10-2002 to 30-10-2012	0.2
	92,500	–	–	–	(62,500)	–	30,000			
Total share options	942,500	–	–	–	(62,500)	–	880,000			

* *The share options vested immediately from the date of the grant.*

** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the company's share capital.*

b) The number and weighted average exercise prices of share options are as follows:

	2008 Weighted average exercise price	2008 Number of options	2007 Weighted average exercise price	2007 Number of options
	HK$		*HK$*	
Outstanding at 1 April	0.2	850,000	0.2	942,500
Effect of open offer		1,401,650		–
	0.0755	2,251,650	0.2	942,500
Granted during the year	0.6	232,240,000		–
Exercised during the year	0.0755	(2,251,650)		–
Forfeited during the period	0.6	(35,270,000)	0.2	(92,500)
Outstanding at 31 March	0.6	196,970,000	0.2	850,000
Exercisable at the end of the year	0.6	196,970,000	0.2	850,000

The weighted average share price at the date of exercise for shares options exercised during the year was HK$0.72.

The options outstanding at 31 March 2008 had an exercise price of HK$0.6 and weighted average remaining contractual life of 4.9 years.

c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes option-pricing formula.

	Options granted on 28 November 2007
Fair value of share options and assumptions	
Share price on grant date	HK$0.68
Exercise price	HK$0.60
Expected volatility	113.59
Expected options life	1 year
Risk-free interest rate (based on Exchange Fund Notes)	1.5%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

33. RESERVES

a) group

	Share premium *HK$*	**Building revaluation reserve** *HK$*	**Special reserve** *HK$*	**Contributed surplus reserve** *HK$*	**Employee share-based compensation reserve** *HK$*	**Exchange fluctuation reserve** *HK$*	**(Accumulated losses)/ Retained profits** *HK$*	**Total** *HK$*
At 1 April 2006	26,743,439	546,396	(11,152,801)	–	–	(457,315)	(59,649,516)	(43,969,797)
Issue of new shares *(note 31(c))*	1,740,000	–	–	–	–	–	–	1,740,000
Issue of new shares *(note 31(d))*	12,581,100	–	–	–	–	–	–	12,581,100
Share issuance expense	(153,465)	–	–	–	–	–	(153,465)	
Exchange realignment	–	–	–	–	–	(93,436)	–	(93,436)
Reversal of deferred tax on disposal of properties	–	115,902	–	–	–	–	–	115,902
Disposal of properties *(note 17(c))*	–	(662,298)	–	–	–	–	662,298	–
Disposal of foreign operations	–	–	–	–	–	457,315	–	457,315
Loss for the year	–	–	–	–	–	–	(18,616,044)	(18,616,044)
At 31 March 2007	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	(47,938,425)

	Share premium HK$	Building revaluation reserve HK$	Special reserve HK$	Contributed surplus reserve HK$	Employee share-based compensation reserve HK$	Exchange fluctuation reserve HK$	(Accumulated losses)/ Retained profits HK$	Total HK$
At 1 April 2007	40,911,074	–	(11,152,801)	–	–	(93,436)	(77,603,262)	(47,938,425)
Capital reorganisation *(note 31(a))*	(40,911,074)	–	–	20,867,880	–	–	99,727,842	79,684,648
Issue of new shares by open offer *(note 31(e))*	201,308,585	–	–	–	–	–	–	201,308,585
Share issuance expense	(6,327,049)	–	–	–	–	–	–	(6,327,049)
Exercise of share options *(note 31(f))*	147,484	–	–	–	–	–	–	147,484
Issue of new shares *(note 31(g))*	35,227,500	–	–	–	–	–	–	35,227,500
Equity settled share-based transactions	–	–	–	–	61,139,425	–	–	61,139,425
Options forfeited during the year	–	–	–	–	(9,285,168)	–	9,285,168	–
Exchange realignment	–	–	–	–	–	30,271,180	–	30,271,180
Loss for the year	–	–	–	–	–	–	(28,776,194)	(28,776,194)
At 31 March 2008	230,356,520	–	(11,152,801)	20,867,880	51,854,257	30,177,744	2,633,554	324,737,154

b) company

	Share premium HK$	Contributed surplus reserve HK$	Employee share-based compensation reserve HK$	Accumulated losses HK$	Total HK$
At 1 April 2006	26,743,439	–	–	(40,155,871)	(13,412,432)
Issue of new shares *(note 31(c))*	1,740,000	–	–	–	1,740,000
Issue of new shares *(note 31(d))*	12,581,100	–	–	–	12,581,100
Share issuance expense	(153,465)	–	–	–	(153,465)
Loss for the year	–	–	–	(62,619,123)	(62,619,123)
At 31 March 2007	40,911,074	–	–	(102,774,994)	(61,863,920)
At 1 April 2007	40,911,074	–	–	(102,774,994)	(61,863,920)
Capital reorganisation *(note 31(a))*	(40,911,074)	20,867,880	–	99,727,842	79,684,648
Issue of new shares by open offer *(note 31(e))*	201,308,585	–	–	–	201,308,585
Share issuance expense	(6,327,049)	–	–	–	(6,327,049)
Exercise of share options *(note 31(f))*	147,484	–	–	–	147,484
Issue of new shares *(note 31(g))*	35,227,500	–	–	–	35,227,500
Equity settled share-based transactions	–	–	61,139,425	–	61,139,425
Options forfeited during the year	–	–	(9,285,168)	9,285,168	–
Loss for the year	–	–	–	(71,274,345)	(71,274,345)
At 31 March 2008	230,356,520	20,867,880	51,854,257	(65,036,329)	238,042,328

c) Nature and purposes of the reserves

i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981. The share premium account of the company is distributable to the shareholders of the company in the form of fully paid bonus shares.

ii) Building revaluation reserve

The building revaluation reserve has been set up and dealt with in accordance with the accounting polices adopted for land and buildings in note 3(d).

iii) Special reserve

The group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the company's shares issued in exchange therefor.

iv) Contributed surplus reserve

The contributed surplus arose from the capital reorganisation scheme of the company on 21 May 2007. Pursuant to the scheme, the issued share capital was reduced from 419,392,885 shares of HK$0.2 each to 419,392,885 shares of HK$0.01 each by cancelling HK$0.19 from each share together with the associated share premium of amount HK$40.9 million and a credit of approximately HK$120.6 million was transferred to the contributed surplus account. Part of the contributed surplus amounting to approximately HK$99.7 million was applied to eliminate the accumulated deficits. A surplus of approximately HK$20.9 million standing to the credit of the contributed surplus account remained after the completion of the capital reorganization. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the company and all applicable laws, including to apply such credit against the accumulated losses of the company.

v) Employee share-based compensation reserve

The employee share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share based payments in note 3(r)(ii).

vi) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(n).

d) Distributability of reserves

At 31 March 2008, the aggregate amount of reserves available for distribution to equity shareholders of the company was approximately HK$186,188,000 (2007: Nil) subject to the restriction on the share premium account as stated above.

e) Capital management

The group's objectives when managing capital are to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

During the year ended 31 March 2008, the group's strategy, which was unchanged from 2007, was to maintain a gearing ratio of within 20% to 30%. The gearing ratios at 31 March 2008 and 2007 were as follows:

	2008	**2007**
	HK$	*HK$*
Total borrowings		
Interest-bearing borrowings *(note 26)*	109,421,900	–
Less: Cash and cash equivalents *(note 23)*	24,993,481	5,801,798
Net debt	84,428,419	–
Total equity	342,374,136	35,940,152
Total capital	426,802,555	35,940,152
Gearing ratio	20%	N/A

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash outflow from acquisition of subsidiaries

	2008	**2007**
	HK$	*HK$*
Carrying amount and fair value of identifiable assets/(liabilities) acquired:		
Investment properties	–	244,456,000
Property, plant and equipment	–	596,841
Prepayment, deposits and other receivables	–	948,011
Cash and bank balances	–	2,784,780
Other payables and accruals	–	(79,173,448)
Taxation payable	–	(419,619)
Deferred tax liabilities *(note 29(a))*	–	(55,786,762)
Net assets	–	113,405,803
Negative goodwill *(note 7)*	–	(3,405,803)
Total consideration	–	110,000,000
Satisfied by:		
Cash consideration *(ii)*	–	24,811,764
Promissory notes *(iii)*	–	157,692,308
	–	182,504,072
Sale loans *(iv)*	–	(72,504,072)
	–	110,000,000
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:		
Cash and bank balances acquired	–	2,784,780
Cash consideration	–	(20,000,000)
Net outflow of cash and cash equivalent in respect of the acquisition of a subsidiary	–	(17,215,220)

(i) On 28 November 2006, the group acquired 100% equity interest in Luck Grow Group Limited ("Luck Grow") for a consideration of HK$110 million from Mr. Peter D. Xu, an independent third party and sale loans amounting to HK$72,504,072 (see note 34(a)(iv). The total consideration of HK$182,504,072 should be satisfied by HK$24,811,764 by cash and HK$157,692,308 by issue of promissory notes. The cost arising from the acquisition was approximately HK$946,412 and has been charged in the profit or loss.

(ii) During the financial year 2007, the company paid HK$20,000,000 as part of cash consideration for the acquisition. On 9 February 2007, the company entered into an agreement with Mr. Peter D. Xu to re-arrange the payment of the balance of the cash consideration of HK$4,811,764. Pursuant to the agreement, Mr. Peter D. Xu granted to the company the right to repay the amount at any time within five years from the date of the agreement. As agreed with Mr. Peter D. Xu, the company will not repay the amount within one year after the balance sheet date and therefore the amount was classified as a long-term payable.

(iii) As at 31 March 2007, the promissory notes have not been issued. The amount was classified as a long-term payable (note 27).

(iv) Sale loans represented all obligations, liabilities and debts owed and incurred by Luck Grow and Shanghai Xiang Chen Hang, an indirect wholly owned subsidiary of Luck Grow to Mr. Peter D. Xu as at the date of completion of the acquisition. As at the date of the sale and purchase agreement, Luck Grow owed Mr. Peter D. Xu a loan of HK$50,000,000 and Shanghai Xiang Chen Hang owed Mr. Peter D. Xu a loan of RMB 23,404,234.88 (equivalent to approximately HK$22,504,072). To the best knowledge of the directors, such loans are monies lent by Mr. Peter D. Xu to the respective companies as working capital. After completion of the transaction, the company booked the account as amount due from subsidiaries and eliminated in full in preparing the consolidated financial statements.

(v) Luck Grow contributed approximately HK$9.6 million to the group's profit for the year 2007 between the date of acquisition and the balance sheet date as at 31 March 2007.

If the acquisition had been completed on 1 April 2006, total group revenue for the year 2007 would have been HK$67 million, and loss for the year 2007 would have been HK$12 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

(b) Net cash outflow from disposal of subsidiaries

	2008 *HK$*	2007 *HK$*
Fair value of identifiable assets/(liabilities) disposed:		
Property, plant and equipment	–	2,150,850
Investment properties	–	2,840,000
Leasehold land held for own use	–	1,484,545
Deferred tax assets	–	121,626
Inventories	–	5,044,757
Prepayment, deposits and other receivables	–	307,069
Trade and bills receivables	–	9,123,153
Pledged time deposits	–	1,500,000
Cash and bank balances	–	1,302,169
Trade payables	–	(8,186,275)
Other payables and accruals	–	(5,654,437)
Due to holding company	–	(62,751,499)
Due to a director	–	(1,677,694)
Tax payable	–	(598,357)
Due to related parties	–	(59,613)
Interest-bearing borrowings	–	(8,690,128)
Obligations under finance leases	–	(263,346)
Deferred shares	–	(1,000,000)
Net liabilities	–	(65,007,180)
Exchange differences recognised in equity	–	457,315
Capitalised amount *(ii)*	–	62,109,054
	–	(2,440,811)
Gain on disposal of subsidiaries	–	2,440,813
Total consideration *(iii)*	–	2
Satisfied by:		
Cash consideration	–	2
Analysis of the net outflow of cash and cash equivalents arising on disposal of subsidiaries:		
Cash consideration received	–	2
Cash and bank balances disposed	–	(1,302,169)
Net outflow of cash and cash equivalent in respect of the disposal of subsidiaries	–	(1,302,167)

(i) On 31 March 2007, the group disposed of 100% equity interest in Asian Field Holdings Corp. ("Asian Field") and its subsidiaries with its share of net liabilities of approximately HK$63,626,000 to Mr. Chong Sing Yuen, the ex-director of the company, for a consideration of HK$1.

Asian Field is engaged in the business of snap off blade cutters. Due to the continuously under performance of this business, the group decided to dispose Asian Field to avoid to incur any further loss from that business.

(ii) The company and Asian Field entered into an agreement dated 31 March 2007 pursuant under which an amount of inter-company balance owing from Asian Field to the company equivalent to the net liabilities recorded on the accounts in January 2007 of Asian Field was to be capitalized to offset the same amount of the net liabilities recorded on the accounts of HK$62,109,054 in January 2007 and as a result, one share of Asian Field was allotted and issued to the company for a consideration which equaled to the amount capitalized.

(iii) The aggregate consideration of HK$2, comprising the consideration for the 100% equity interest in Asian Field and the consideration for the sale loan of HK$1. The sale loan represented the shareholder's loan of HK$62,751,499 as at 31 March 2007 after netting off of the amount capitalized as stated in (ii) above.

(c) Non-cash transactions

(i) On 28 November 2006, the group acquired 100% equity interest in Luck Grow from Mr. Peter D. Xu, an independent third party, for a consideration of HK$110 million. During the financial year 2007, the company paid HK$20,000,000 as partial settlement of the cash consideration of HK$24,811,764. The balance of the cash consideration of HK$4,811,764 and the amount of HK$157,692,308 was classified as a long-term payable.

The directors consider that the carrying amount of the long-term payable approximates to the fair value.

(ii) On 31 October 2007, the company issued 83,875,000 shares at HK$0.43 each to Mr. Peter D. Xu, the promissory notes holder. The gross proceeds from the issue were approximately HK$36.1 million and were utilised for setting off the remaining balance of the promissory notes (note 30).

35. COMMITMENTS

(a) Capital commitments

As at the balance sheet date, the group had the following commitments:

	2008	**2007**
	HK$	*HK$*
Purchase of investment properties		
– Contracted for but not provided for	15,435,000	–

(b) Operating lease commitments

i) The group as lessor:

The group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits. At the balance sheet date, the group had total future minimum lease payments receivable under noncancellable operating leases with its tenants falling due as follows:

	2008	**2007**
	HK$	*HK$*
Within one year	25,278,519	12,894,434
In the second to fifth years, inclusive	65,104,943	41,475,115
Over five years	43,916,684	6,018,072
	134,300,146	60,387,621

ii) The group as lessee:

At the balance sheet date, the group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2008	**2007**
	HK$	*HK$*
Within one year	2,396,059	1,271,951
In the second to fifth years, inclusive	3,923,863	2,737,873
Over five years	–	1,090,698
	6,319,922	5,100,522

36. FINANCIAL GUARANTEE CONTRACTS

The group

At 31 March 2007, a wholly owned subsidiary of the company pledged certain of its investment properties to the banks as guarantee to secure general banking facilities to the extent of approximating HK$162 million extended to third parties including Shanghai Xiwu Industry Co., Ltd, Shanghai Chen Xuan Trading Co., Ltd and Shanghai Xu Hui Co., Ltd. The maximum liability of the subsidiary at 31 March 2007 under the guarantee was the amount of the facilities drawn down by the third parties that were covered by the guarantee, being approximately HK$119 million. The directors considered that no recognition was required because the fair value of such guarantee was insignificant and the directors did not consider it probable that a claim would be made against the company under the guarantee. The guarantee was released on 25 July 2007.

37. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Financial risk management objectives and policies

The group's major financial instruments include trade and other receivables, interest-bearing borrowings, cash and bank balances, other payables and amounts due to or from directors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rates which will affect the group's financial results and its cash flows.

The group mainly operates in mainland China and Hong Kong. Most of the group's transactions, assets and liabilities are denominated in RMB or Hong Kong Dollars.

Most of group's and the company's transactions, assets and liabilities are denominated in a currency same as the functional currency of the entity to which they related.

Foreign exchange risk arises from net investments in foreign operations. The group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

ii) Credit risk

a) As at 31 March 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

b) The group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2008, the group has certain concentration of credit risk as 33% (2007: 54%) of total cash and cash equivalents, time deposits with original maturities over three months and financial assets designated at fair value were deposited at one financial institution in the PRC with high credit ratings.

c) In respect of rental receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its tenants' financial position and condition is performed on each and every major tenant periodically. These evaluations focus on the tenants' past history of making payments when due and current ability to pay, and take into account information specific to the tenant as well as pertaining to the economic environment in which the tenant operates. The group has received rental deposits amounting to HK$3,101,462 from the tenants as collateral. Rents are usually due upon presentation of billing.

d) In respect of rental receivables, the group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The default risk of the industry in which tenants operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the group has a certain concentration of credit risk as 47% (2007: Nil) and 98% (2007: 100%) of the total rental receivables was due from the group's largest tenant and the five largest tenants respectively.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 20.

iii) Liquidity risk

Individual operating entities within the group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major bank to meet its liquidity requirements in the short and longer term. The group relies on bank borrowings as a significant source of liquidity.

The following liquidity and interest risk tables set out the weighted average effective interest rate and the remaining contractual maturities at the balance sheet date of the group's and the company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the group and the company are required to pay:

The group

	2008							2007						
	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscount cash flow	Carrying amount
		HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*%*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Other payable and accrual	–	4,793,481	–	–	–	4,793,481	4,793,481	–	5,462,168	–	–	–	5,462,168	5,462,168
Secured bank loan – variable rates	8.613%	14,352,815	14,454,290	48,298,972	91,459,421	168,565,498	109,421,900	–	–	–	–	–	–	–

iv) Interest rate risk

The group's exposure to market risk for exchange in interest rates related primarily to the group's interest-bearing borrowings. The group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to hedge significant interest rate exposures when the need is anticipated.

At 31 March 2008, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's loss after tax and accumulated losses attributable to variable rate bank borrowing by approximately HK$1,094,219 (2007: HK$Nil).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

v) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2008 and 2007.

vi) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

38. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the group had the following transactions with Twin Base Limited ("Twin Base"), a company in which Mrs. Chong Cheng Man Shan ("Mrs. Chong"), the spouse of Mr. Chong Sing Yuen, the ex-director, has a beneficial interest:

i) During the year, the group paid rentals of approximately HK$Nil (2007: HK$197,500) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement.

ii) As at 31 March 2007, Twin Base had pledged certain of its property interests to a bank to secure the credit facilities to the extent of HK$12,899,980 granted to the group.

(b) During the year 2008, Ms. Pan Chien Pu, a shareholder of the company, advanced HK$3,150,000 (2007: HK$Nil) to the group. The advance is unsecured, interest-free and repayable on demand.

(c) Key management personnel remuneration Details of remuneration paid to key management of the group are disclosed in note 11.

(d) Outstanding balances with a related party (see note 22):

	2008	**2007**
	HK$	*HK$*
Amount due from a director	14,777	–

39. LITIGATION

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendents failed to fulfill their underwriting obligations thereunder and for the recovery of HK$40 million being the economic loss suffered by the company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

40. NON-ADJUSTING POST BALANCE SHEET EVENT

On 10 July 2007, the group entered into a sale and purchase agreement (the "Agreement") with Shanghai Xu Hui Co., Ltd. (the "Vendor") for the purchase of a property for a consideration of HK$30,871,000. Pursuant to the Agreement, a deposit of HK$15,435,000 was paid on 5 September 2007.

As the mortgages of the property have not been discharged as at 30 June 2008, the group served a termination notice to the Vendor on 2 July 2008 to cancel and terminate the agreement and requested the Vendor to refund the deposit, together with the accrued interest at an interest rate of 5% per annum, being calculated from the date of receipt of the deposit to the date of refund of the deposit. Pursuant to the termination notice, the deposit together with the interest accrued is required to be refunded by the Vendor to the group within 3 months from the date of the termination notice.

41. RETIREMENT BENEFITS SCHEME

The group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions payable to the MPF scheme by the group at rates specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the group with respect to the pension scheme is to make the required contributions under the scheme.

The group has no unvested benefits utilized to reduce contribution for the year after the disposal of Asian Field in last year. The amount of unvested benefits utilised by the group to reduce contributions for 2007 was HK$892,192.

42. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, *Financial instruments: Disclosures*, and the amendments to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

43. POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2008 and which have not been adopted in these financial statements.

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]

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

A. INDEBTEDNESS STATEMENT

Interest-bearing borrowings

As at the close of business on 31 May 2009, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately of HK$103,894,000 (equivalent to RMB90,500,000), which comprised secured bank loans of approximately HK$103,894,000 (equivalent to RMB90,500,000). The secured bank loans were secured by the investment properties of the Enlarged Group of approximately HK$124,149,000 as at the valuation dated 30 April 2009.

Save for the aforesaid, the Enlarged Group did not have any other borrowings or indebtedness in the nature of borrowing of the Enlarged Group including mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, or any guarantees, or other material contingent liabilities outstanding.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximately rates of exchange prevailing as at 31 May 2009.

The Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position and contingent liabilities since 31 May 2009.

B. MATERIAL ADVERSE CHANGE

Based on preliminary assessment of the management accounts of the Group and the information currently available to the Company, it is expected that the audited consolidated net loss of the Group for the year ended 31 March 2009 to show a significant increase as compared to the unaudited consolidated net loss of the Group for the six months ended 30 September 2008. Such decline was primarily attributable to the loss resulting from the change of fair value on the Group's investment properties in the PRC. Further details of which are set out in the announcement of the Company dated 26 June 2009.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Group were made up.

C. WORKING CAPITAL STATEMENT

The Directors, after due and carefully enquiry, are of the opinion that following the Completion, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group, after the completion of the Acquisition and contributing the required expected investment capital into the Mining Company, will not have sufficient working capital for its present requirements for a period of 12 months from the date of this circular. In this respect, the Directors will seek other possible financing alternatives (including both equity financing, i.e. the issue of new Shares, and debt financing, i.e. borrowings from banks/financial institutions) in order to fulfil the future working capital requirements of the Enlarged Group if necessary.

D. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As stated in the interim report of the Company for the six months ended 30 September 2008, the prolonged economic austerity measures of the PRC during the first half of 2008 and the volatility of the global financial market adversely affected the property sector in the PRC. In addition, Shanghai is now facing the problem of oversupply in commercial properties. In accordance with the recently published property market research, Shanghai will take at least four years to fully digest the existing vacant commercial properties as well as the new supplies in foreseeable future. As the industry outlook remains weak, it is not too surprising with dramatic downturn of the PRC's property market.

The global financial crisis has continued to shake global markets and the global economy is likely to slip into recession. The Directors believe it will lead to a slowdown in the PRC's economic growth in the years to come. As the operations of the Group are primarily located in the PRC, it will have adverse impact on the financial performance of the Group inevitably. The Group will adopt conservative strategies in its business development in short-term and will also exercise stringent cost control during the depressing time.

In respect of the Acquisition, as mentioned under the section headed "Reasons for the Acquisition" in the "Letter from the Board" and as referred to the statistics contained in the Valuation Report, the Directors consider that the prospects of the non-ferrous industry is promising. Recently, the PRC government has decisively promulgated a series of economic stimulus measures and reinstated non-ferrous industry. Various measures have been put in place to stimulate domestic demand and stabilise market conditions. All these measures would likely to have a positive impact on the non-ferrous industry in the PRC.

With reference to the Feasibility Report, it is proposed that certain mining and smelting plants which shall commence production in 2010 will be set up, and the expected amounts of production of the Mine are 250, 495, 785 kilotonnes of ore in 2010, 2011 and 2012 respectively. As further referred to in the Feasibility Report, the initial capital cost for the Mine in 2010 is estimated to be of approximately RMB78,500,000. Thereafter, from 2011 to 2014, the Mine is expected to require a total capital of approximately RMB41,800,000. The Company will finance its capital contribution into the Mining Company either by the Group's internal resources or other fund-raising exercises.

Overall, the Directors consider that the Acquisition will enable the Enlarged Group to diversify its current business to participate in the non-ferrous market, which will broaden the Enlarged Group's income base and improve its financial performance.

The following is the text of a report, prepared for the purpose of incorporating in this circular, received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

The Board of Directors
China Properties Investment Holdings Limited

30 June 2009

Dear Sirs,

We set out below our report regarding the financial information (the "Financial Information") of Main Pacific Group Limited ("Main Pacific") and its subsidiaries (hereinafter collectively referred to as the "Main Pacific Group") set out in Sections A to F below, for inclusion in the circular of China Properties Investment Holdings Limited (the "Company") dated 30 June 2009 (the "Circular") in connection with the proposed acquisition of the entire shareholding interest in Main Pacific by the Company. The Financial Information comprises the balance sheets of Main Pacific and Main Pacific Group as at 31 December 2006, 2007 and 2008, and the consolidated income statement, the consolidated statements of changes in equity and the consolidated cash flow statements of the Main Pacific Group for each of the years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Main Pacific was incorporated in the British Virgin Islands on 20 June 2006 as a private company with limited liability and was principally engaged in investment holding during the Relevant Periods.

As at the date of this report, the particulars of the subsidiaries of Main Pacific as at 31 December 2008 are as follows:

Company	Place and date of establishment	Issued and fully paid up share capital	Percentage of equity attributable to Main Pacific		Principal activities
			Direct	Indirect	
Citigain Holdings Limited ("Citigain")	Hong Kong 9 June 2006	HK$1	100%	–	Dormant
鼎裕投資諮詢(深圳)有限公司 Dingyu Investment Consulting (Shenzhen) Company Limited* ("Shenzhen Dingyu")	PRC 30 August 2006	HK$1,000,000	–	100%	Dormant
上海卓衡實業有限公司 Shanghai Zhuoheng Shiye Company Limited* ("Shanghai Zhuoheng")	PRC 12 March 2007	RMB500,000	–	100%	Dormant

* *For identification only*

Except for the Shenzhen Dingyu and Shanghai Zhuoheng, no audited financial statements have been prepared for Main Pacific since it is incorporated outside Hong Kong and there are no statutory requirements to prepare audited financial statements and Citigain is a dormant company incorporated in Hong Kong, and not yet commence business within the Relevant Periods.

The statutory financial statements of the subsidiaries of Main Pacific established in The People's Republic of China (the "PRC") was prepared in accordance with the relevant accounting principles and financial regulations generally accepted in PRC. The name of the auditors of the audited financial statements of these companies is set out below:

Company	Accounts for the year ended	Auditors
Shenzhen Dingyu	31 December 2006	中華盈會計師事務所有限公司
	31 December 2007	中華盈會計師事務所有限公司
	31 December 2008	中華盈會計師事務所有限公司
Shanghai Zhuoheng	31 December 2007	上海事城會計師事務所有限公司
	31 December 2008	上海事城會計師事務所有限公司

For the purpose of this report, the directors of Main Pacific have prepared the consolidated financial statements of the Main Pacific Group (the "Underlying Financial Statements") for each of the years ended 31 December 2006, 2007 and 2008 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of Main Pacific are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

In our opinion, the Financial Information for each of the years ended 31 December 2006, 2007 and 2008, for the purpose of this report, gives a true and fair view of the state of affairs of Main Pacific and Main Pacific Group as at 31 December 2006, 2007 and 2008 and of the Main Pacific Group's results and cash flows for the Relevant Periods.

Without qualifying our opinion, we draw attention to note 2(b) to the Financial Information concerning the adoption of the going concern basis on which the Financial Information has been prepared. As further explained in that note, the Financial Information of the Main Pacific Group has been prepared on a going concern basis, notwithstanding that the Main Pacific Group had net current liabilities of HK$125,136, HK$166,103 and HK$91,723 as at 31 December 2006, 2007 and 2008 respectively, and incurred a loss attributable to equity shareholders of Main Pacific of HK$93,763, HK$98,265 and HK$10,382 for the years ended 31 December 2006, 2007 and 2008 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Main Pacific Group to continue as a going concern.

A. CONSOLIDATED INCOME STATEMENT

		Year ended 31 December		
		2006	**2007**	**2008**
	Note	*HK$*	*HK$*	*HK$*
Turnover	*7*	–	–	–
Cost of sales		–	–	–
Gross profit		–	–	–
Other revenue	*8*	1,885	7,237	17,339
Administrative expenses		(95,648)	(105,502)	(18,697)
Other operating expenses		–	–	(9,024)
Loss from operations		(93,763)	(98,265)	(10,382)
Finance costs		–	–	–
Loss before taxation	*9*	(93,763)	(98,265)	(10,382)
Income tax	*10*	–	–	–
Loss for the year		(93,763)	(98,265)	(10,382)
Attributable to:				
Equity shareholders of Main Pacific		(93,763)	(98,265)	(10,382)
Loss per share				
Basic	*14*	(93,763)	(98,265)	(10,382)
Diluted	*14*	(93,763)	(98,265)	(10,382)

B. CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2006 HK$	2007 HK$	2008 HK$
NON-CURRENT ASSETS				
Plant and equipment	*15*	11,333	9,544	–
		11,333	9,544	–
CURRENT ASSETS				
Other receivables	*17*	25,220	457,938	1,711,504
Cash and cash equivalents	*18*	859,575	1,010,377	113,922
		884,795	1,468,315	1,825,426
CURRENT LIABILITIES				
Other payables	*19*	1,009,931	1,634,418	1,917,149
		1,009,931	1,634,418	1,917,149
NET CURRENT LIABILITIES		(125,136)	(166,103)	(91,723)
NET LIABILITIES		(113,803)	(156,559)	(91,723)
CAPITAL AND RESERVES				
Share capital	*20*	8	8	8
Reserves	*21*	(113,811)	(156,567)	(91,731)
CAPITAL DEFICIENCY		(113,803)	(156,559)	(91,723)

C. BALANCE SHEET

		As at 31 December		
		2006	**2007**	**2008**
	Note	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSETS				
Investment in a subsidiary	*16*	1	1	1
CURRENT ASSETS				
Cash and cash equivalents	*18*	7	7	7
NET ASSETS		8	8	8
CAPITAL AND RESERVES				
Share capital	*20*	8	8	8
Reserves	*21*	–	–	–
TOTAL EQUITY		8	8	8

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$*	Exchange reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Issued share	8	–	–	8
Exchange realignment	–	(20,048)	–	(20,048)
Loss for the year	–	–	(93,763)	(93,763)
At 31 December 2006	8	(20,048)	(93,763)	(113,803)
At 1 January 2007	8	(20,048)	(93,763)	(113,803)
Exchange realignment	–	55,509	–	55,509
Loss for the year	–	–	(98,265)	(98,265)
At 31 December 2007	8	35,461	(192,028)	(156,559)
At 1 January 2008	8	35,461	(192,028)	(156,559)
Exchange realignment	–	75,218	–	75,218
Loss for the year	–	–	(10,382)	(10,382)
At 31 December 2008	8	110,679	(202,410)	(91,723)

E. CONSOLIDATED CASH FLOW STATEMENTS

	Note	2006 HK$	2007 HK$	2008 HK$
OPERATING ACTIVITIES				
Loss before taxation		(93,763)	(98,265)	(10,382)
Adjustments for:				
Depreciation		391	2,490	1,354
Written off of plant and equipment		–	–	9,024
Interest income		(1,885)	(2,757)	(10,667)
Foreign exchange (gain)/loss, net		(20,048)	54,808	74,384
OPERATING (LOSS)/PROFIT BEFORE CHANGES IN WORKING CAPITAL		(115,305)	(43,724)	63,713
Increase in other receivables		(25,220)	(432,718)	(1,253,566)
Increase in other payables		1,009,931	624,487	282,731
CASH GENERATED FROM/ (USED IN) OPERATIONS		869,406	148,045	(907,122)
Tax paid				
Overseas income tax paid		–	–	–
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES		869,406	148,045	(907,122)
INVESTING ACTIVITIES				
Payment for purchase of plant and equipment		(11,724)	–	–
Interest received		1,885	2,757	10,667
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(9,839)	2,757	10,667
FINANCING ACTIVITIES				
Proceeds from share issued		8	–	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		8	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		859,575	150,802	(896,455)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		–	859,575	1,010,377
CASH AND CASH EQUIVALENTS AT END OF YEAR	*18*	859,575	1,010,377	113,922

F. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Main Pacific was incorporated as an exempted company with limited liability in British Virgin Islands on 20 June 2006. The registered office of Main Pacific is located at P.O. Box 3152, Road Town, Tortola, British Virgin Islands.

The principal activity of Main Pacific is investment holding. The principal activities of its subsidiaries are set out in note 16 to the Financial Information.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of Main Pacific, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong. A summary of the significant accounting policies adopted by Main Pacific Group is set out below.

b) Going concern basis

As at 31 December 2008, Main Pacific Group had net current liabilities of HK$91,723 (2006: HK$125,136; 2007: HK$166,103). Given Main Pacific Group's consolidated liabilities mainly comprise due to a director of HK$1,021,149 (2006: HK$1,009,931; 2007: HK$1,016,052), its ability to continue as a going concern depends on the support from the director. The shareholder has undertaken to provide continuing financial support to Main Pacific Group as may be necessary to enable it to operate as a going concern and meet its obligation in full as and when they fall due.

Based on the above, the directors are of the opinion that Main Pacific Group will remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the Financial Information on a going concern basis. The Financial Information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should Main Pacific Group be unable to continue as a going concern.

c) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

d) Subsidiaries

Subsidiaries are entities controlled by Main Pacific Group. Control exists when Main Pacific Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent there is no evidence of impairment.

In Main Pacific's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(g)), unless the investment is classified as held for sale.

e) Plant and equipment

Plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(g)).

Gain or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimate useful lives as follows:

Furniture and office equipment	5 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if Main Pacific Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges

Where Main Pacific Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

g) Impairment of assets

i) Impairment of other receivables

Other current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For other current receivables that are carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment

– investment in a subsidiary

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

  An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

h) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(g)).

i) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial report purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in period into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences related to investments in subsidiaries to the extent that, in the case of taxable differences, Main Pacific Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reserve in the future.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Main Pacific or Main Pacific Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, Main Pacific or Main Pacific Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Main Pacific Group or Main Pacific has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

m) Revenue recognition

Provided it is probable that the economic benefits will flow to Main Pacific Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

Interest income is recognised as it occurs using the effective interest method.

n) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and loses are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

o) Related parties

For the purposes of these financial statements, parties are considered to be related to Main Pacific Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control Main Pacific Group or exercise significant influence over Main Pacific Group in making financial and operating policy decisions, or has joint control over Main Pacific Group;

ii) Main Pacific Group and the party are subject to common control;

iii) the party is an associate of Main Pacific Group or a joint venture in which Main Pacific Group is a venturer;

iv) the party is a member of key management personnel of Main Pacific Group or Main Pacific Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence or such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of Main Pacific Group or of any entity that is a related party of Main Pacific Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

p) Segment reporting

A segment is a distinguishable component of Main Pacific Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with Main Pacific Group's internal financial reporting, Main Pacific Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Main Pacific Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Main Pacific Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of Financial Statements [3]
HKAS 23 (Revised)	Borrowing Costs [3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [3]
HKAS 39 (Amendment)	Eligible hedged items [4]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard [4]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations [3]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 7 (Amendments)	Improving disclosures about Financial Instruments [3]
HKFRS 8	Operating Segments [3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives [5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate [3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation [7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers [8]

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

The application of HKFRS 3 (Revised) may affect the Main Pacific Group's 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 Main Pacific Group's ownership interest in a subsidiary.

The Main Pacific's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Main Pacific Group.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Main Pacific Group's major financial instruments include other receivables and other payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Interest rate risk

As Main Pacific Group has no significant interest bearing liabilities, Main Pacific Group's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances. Floating-rate interest income is charged to the income statement as incurred.

b) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rates which will affect the Main Pacific Group's financial results and its cash flows.

Main Pacific Group mainly operates in PRC and Hong Kong. Most of the Main Pacific Group's transactions, assets and liabilities are denominated in RMB or Hong Kong Dollars.

Most of Main Pacific Group's and the Main Pacific's transactions, assets and liabilities are denominated in a currency same as the functional currency of the entity to which they related.

Foreign exchange risk arises from net investments in foreign operations. Main Pacific Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

c) Credit risk

i) During the financial period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

ii) Main Pacific Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

d) Fair value

The fair values of cash and cash equivalents, bank deposits, other receivables, other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

All financial instruments are carried at amounts not materially different from their fair values for the accounting period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a) Critical accounting judgements in applying the Main Pacific Group's accounting policies

Certain critical accounting judgements in applying the Main Pacific Group's accounting policies are described below.

Going concern basis

As mentioned in Note 2(b) to the Financial Information, the directors are satisfied that Main Pacific Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that Main Pacific Group will be able to continue in operational existence in the foreseeable future, the Financial Information has been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the profit for the year and net assets of Main Pacific Group.

6. SEGMENT REPORTING

Main Pacific Group conducts its business within one business segment, that is the business of investment holding. Accordingly, no business segment information is presented. The Group operates within two geographical segment namely in PRC and Hong Kong. Over 90% of segment assets, liabilities and capital expenditure are located in the PRC and therefore no geographical segments are presented.

7. TURNOVER

The principal activity of Main Pacific Group is investment holding during the Relevant Periods.

8. OTHER REVENUE

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Interest income*	1,885	2,757	10,667
Sundry income	–	4,480	6,672
	1,885	7,237	17,339

* *It represented total interest income on financial assets not at fair value through profit or loss.*

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

Other items

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Auditors' remuneration*	–	–	–
Depreciation			
– Owned fixed assets	391	2,490	1,354
Operating lease charges: minimum leases payables	63,050	79,117	–
Exchange loss	–	–	142
Written off of plant and equipment#	–	–	9,024

* Auditors' remuneration of HK$1,940, HK$12,669 and HK$14,056 which was paid by the shareholder for the years ended 31 December 2006, 2007 and 2008 respectively.

\# The amount is included in "Other operating expenses" on the face of the Consolidated income statement.

10. INCOME TAX IN THE INCOME STATEMENT

a) No Hong Kong profits tax has been provided for in the consolidated financial statements as the Main Pacific Group has no assessable profits in Hong Kong for financial years 2006, 2007 and 2008.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%; 2006: 17.5%) of the estimated assessable profit for the year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2007: 33%; 2006: 33%).

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 change the tax rate from 33% to 25% effective from 1 January 2008.

b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Loss before taxation	(93,763)	(98,265)	(10,382)
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	(29,206)	(31,466)	(2,277)
Tax effect of non-deductive expenses	129	822	352
Tax effect of non-taxable revenue	–	(482)	–
Tax effect of unrecognised tax losses	29,077	31,126	1,925
Tax expense	–	–	–

No deferred tax asset has been recognised in relation to the tax losses as it is not probable that future taxable profit will be available against which the tax losses can be utilised.

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance during the years ended 31 December 2006, 2007 and 2008 are HK$Nil.

No emoluments or discretionary bonus were paid by the Main Pacific Group to the directors as an inducement to join or upon joining the Main Pacific Group or as compensation for loss of office during the Relevant Periods. No director of the Main Pacific Group waived or agreed to waive any emoluments or discretionary bonus during the Relevant Periods.

12. INDIVIDUAL WITH HIGHEST EMOLUMENTS

The Main Pacific Group did not commence business, and no staff cost incurred during the Relevant Periods.

13. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF MAIN PACIFIC

The consolidated loss attributable to equity shareholders of Main Pacific includes a loss of HK$Nil, HK$Nil and HK$Nil for the years ended 31 December 2006, 2007 and 2008 respectively which has been dealt with in the Financial Information of Main Pacific.

14. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US$1 equivalent to HK$8 and the weighted average number of 1 ordinary share in issue during the Relevant Periods.

b) Diluted loss per share

Diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding for all years presented.

15. PLANT AND EQUIPMENT

Main Pacific Group

	Furniture and office equipment *HK$*
Cost	
Additions	11,724
At 31 December 2006 and 1 January 2007	11,724
Exchange realignment	724
At 31 December 2007 and 1 January 2008	12,448
Exchange realignment	1,088
Written off	(13,536)
At 31 December 2008	–
Accumulated depreciation	
Charge for the year	391
At 31 December 2006 and 1 January 2007	391
Exchange realignment	23
Charge for the year	2,490
At 31 December 2007 and 1 January 2008	2,904
Exchange realignment	254
Charge for the year	1,354
Written off	(4,512)
At 31 December 2008	–
Net book value	
At 31 December 2006	11,333
At 31 December 2007	9,544
At 31 December 2008	–

16. INVESTMENT IN A SUBSIDIARY

	Main Pacific 2006 HK$	Main Pacific 2007 HK$	Main Pacific 2008 HK$
Unlisted shares, at cost*	1	1	1

* *The authorised capital of the subsidiary consists of 10,000 ordinary shares at par value of HK$1 and 1 ordinary share at par value was issued to Main Pacific.*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of Main Pacific Group. The class of share held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 2(d) and have been consolidated into Main Pacific Group Financial Information.

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up share capital	Proportion of ownership interest: Main Pacific Group's effective interest	Held by Main Pacific	Held by a subsidiary	Principal activity
Citigain	Hong Kong	HK$1	100%	100%	–	Dormant
Shenzhen Dingyu	PRC	HK$1,000,000	100%	–	100%	Dormant
Shanghai Zhuoheng	PRC	RMB500,000	100%	–	100%	Dormant

17. OTHER RECEIVABLES

	Main Pacific Group 2006 HK$	Main Pacific Group 2007 HK$	Main Pacific Group 2008 HK$
Other receivables	–	457,938	1,711,504
Rental deposits	25,220	–	–
	25,220	457,938	1,711,504

All of other receivables are expected to be recovered or recognised as expenses within one year.

18. CASH AND CASH EQUIVALENTS

	Main Pacific Group		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Cash at bank and in hand	859,575	1,010,377	113,922
Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement	859,575	1,010,377	113,922

	Main Pacific		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Cash at bank and in hand	7	7	7
Cash and cash equivalents in the balance sheet	7	7	7

19. OTHER PAYABLES

	Main Pacific Group		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Other payable	–	618,366	896,000
Due to a director*	1,009,931	1,016,052	1,021,149
Financial liabilities measured at amortised cost	1,009,931	1,634,418	1,917,149

All of the other payables are expected to be settled within one year.

* *The amounts were unsecured, interest-free and repayable on demand.*

20. SHARE CAPITAL

	Number of shares	Nominal value *HK$*
Authorised:		
Ordinary shares of USD 1 each		
At 31 December 2006, 2007 and 2008	50,000	390,000
Issued and fully paid:		
Ordinary shares of USD 1 each		
At 31 December 2006, 2007 and 2008	1	8

(i) The Company was incorporated in British Virgin Islands on 20 June 2006 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each and we share of US$1 of the Company was allotted and issued on the same date.

21. RESERVES

a) Main Pacific Group

	Exchange reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Exchange realignment	(20,048)	–	(20,048)
Loss for the year	–	(93,763)	(93,763)
At 31 December 2006	(20,048)	(93,763)	(113,811)
At 1 January 2007	(20,048)	(93,763)	(113,811)
Exchange realignment	55,509	–	55,509
Loss for the year	–	(98,265)	(98,265)
At 31 December 2007	35,461	(192,028)	(156,567)
At 1 January 2008	35,461	(192,028)	(156,567)
Exchange realignment	75,218	–	75,218
Loss for the year	–	(10,382)	(10,382)
At 31 December 2008	110,679	(202,410)	(91,731)

b) Nature and purpose of reserves

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting polices set out in note 2(n).

c) Distributability of reserves

At 31 December 2006, 2007 and 2008, the aggregate amount of reserves available for distribution to equity shareholder of Main Pacific were HK$Nil.

d) Capital management

Main Pacific Group's objectives when managing capital are to ensure that entities in Main Pacific Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, Main Pacific Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

22. POST BALANCE SHEET EVENT

As at 5 March 2009, the Shanghai Zhuoheng, a subsidiary of the Main Pacific, had entered into a sale and purchase agreement with independent third parties to acquire 85% equity interest of上海吉譯實業有限公司 (Shanghai JiYi Shiye Company Limited) ("Shanghai Jiyi") at the consideration of RMB17,000,000, Shanghai Jiyi is a company incorporated in the PRC with limited liability and an investment holding company and owned 60% shareholding of 克什克騰旗大地礦業有限責任公司, a company incorporated in the PRC with limited liability. The company hold the mining license.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Main Pacific Group in respect of any period subsequent to 31 December 2008.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Alvin Yeung
Practising Certificate Number P05206

The following is the text of a report, prepared for the purpose of incorporating in this circular, received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

The Board of Directors
China Properties Investment Holdings Limited

30 June 2009

Dear Sirs,

We set out below our report regarding the financial information (the "Financial Information") of 上海吉譯實業有限公司 Shanghai Jiyi Shiye Company Limited ("Shanghai Jiyi") and its subsidiaries (hereinafter collectively referred to as the "Shanghai Jiyi Group") set out in Sections A to F below, for inclusion in the circular of China Properties Investment Holdings Limited (the "Company") dated 30 June 2009 (the "Circular") in connection with the proposed acquisition of the entire shareholding interest in Main Pacific Group Limited by the Company. The Financial Information comprises the balance sheets of Shanghai Jiyi and Shanghai Jiyi Group as at 31 December 2006, 2007 and 2008, and the consolidated income statement, the consolidated statements of changes in equity and the consolidated cash flow statements of the Shanghai Jiyi Group for each of the years ended 31 December 2006, 2007 and 2008 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Shanghai Jiyi was incorporated in the People's Republic of China (the "PRC") on 12 July 2006 as a private company with limited liability and the principal activity was investment holding during the Relevant Periods.

As at the date of this report, the particulars of the subsidiary of Shanghai Jiyi as at 31 December 2008 are as follows:

Company	Place and date of establishment	Issued and fully paid up capital	Percentage of equity attributable to Shanghai Jiyi Direct	Percentage of equity attributable to Shanghai Jiyi Indirect	Principal activities
克什克騰旗大地礦業有限責任公司 Keshi Ketengqi Great Land Mine Industries Company Limited * ("Keshi Ketengqi")	PRC 23 August 2006	RMB10,000,000	60%	–	Mineral Resource

* *For identification only*

The statutory financial statements of the Shanghai Jiyi and Keshi Ketengqi established in PRC was prepared in accordance with the relevant accounting principles and financial regulations generally accepted in PRC. The name of the auditors of the audited financial statements of these companies is set out below:

Company	Accounts for the year ended	Auditors
Shanghai Jiyi	31 December 2006	上海從信會計師事務所
	31 December 2007	上海從信會計師事務所
	31 December 2008	上海東洲政信會計師事務所
Keshi Ketengqi	31 December 2007	內蒙古萬泰華會計師事務所
	31 December 2008	內蒙古萬泰華會計師事務所

For the purpose of this report, the directors of Shanghai Jiyi have prepared the consolidated financial statements of the Shanghai Jiyi Group (the "Underlying Financial Statements") for each of the years ended 31 December 2006, 2007 and 2008 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of Shanghai Jiyi are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

In our opinion, the Financial Information for each of the years ended 31 December 2006, 2007 and 2008, for the purpose of this report, gives a true and fair view of the state of affairs of Shanghai Jiyi and Shanghai Jiyi Group as at 31 December 2006, 2007 and 2008 and of the Shanghai Jiyi Group's results and cash flows for the Relevant Periods.

Without qualifying our opinion, we draw attention to note 2(b) to the Financial Information concerning the adoption of the going concern basis on which the Financial Information have been prepared. As further explained in that note, the Financial Information of the Group has been prepared on a going concern basis, notwithstanding that the Shanghai Jiyi Group had incurred a loss attributible to equity shareholders of Shanghai Jiyi of HK$1,173,098, HK$1,824,352, HK$930,598 for the years ended 31 December 2006, 2007 and 2008 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Shanghai Jiyi Group to continue as a going concern.

A. CONSOLIDATED INCOME STATEMENT

		Year ended 31 December		
		2006	**2007**	**2008**
	Note	*HK$*	*HK$*	*HK$*
Turnover	*7*	–	–	–
Cost of sales		–	–	–
Gross profit		–	–	–
Other revenue	*8*	4,079	75,361	29,124
Administrative expenses		(1,959,243)	(3,115,948)	(1,580,120)
Other operating expenses		–	–	–
Loss from operations		(1,955,164)	(3,040,587)	(1,550,996)
Finance costs		–	–	–
Loss before taxation	*9*	(1,955,164)	(3,040,587)	(1,550,996)
Income tax	*10*	–	–	–
Loss for the year		(1,955,164)	(3,040,587)	(1,550,996)
Attributable to:				
Equity shareholders of Shanghai Jiyi		(1,173,098)	(1,824,352)	(930,598)
Minority interests		(782,066)	(1,216,235)	(620,398)
Loss for the year		(1,955,164)	(3,040,587)	(1,550,996)

B. CONSOLIDATED BALANCE SHEET

		As at 31 December		
		2006	2007	2008
	Note	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSETS				
Plant and equipment	*14*	689,088	548,784	397,824
Intangible assets	*16*	5,432,000	5,768,000	6,272,000
		6,121,088	6,316,784	6,669,824
CURRENT ASSETS				
Other receivables	*17*	18,572,135	14,708,400	38,786,346
Cash and cash equivalents	*18*	2,451,613	3,727,437	67,288
		21,023,748	18,435,837	38,853,634
CURRENT LIABILITIES				
Other payables	*19*	5,820,000	5,149,309	25,758,231
		5,820,000	5,149,309	25,758,231
NET CURRENT ASSETS		15,203,748	13,286,528	13,095,403
NET ASSETS		21,324,836	19,603,312	19,765,227
CAPITAL AND RESERVES				
Paid up capital	*20*	19,400,000	19,400,000	19,400,000
Reserves	*21*	(1,173,098)	(1,678,387)	(896,074)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF SHANGHAI JIYI		18,226,902	17,721,613	18,503,926
MINORITY INTEREST	*21*	3,097,934	1,881,699	1,261,301
TOTAL EQUITY		21,324,836	19,603,312	19,765,227

C. BALANCE SHEET

		As at 31 December		
		2006	2007	2008
	Note	*HK$*	*HK$*	*HK$*
NON-CURRENT ASSETS				
Investment in a subsidiary	*15*	5,820,000	5,820,000	5,820,000
		5,820,000	5,820,000	5,820,000
CURRENT ASSETS				
Other receivables	*17*	18,550,574	17,314,300	40,370,026
Cash and cash equivalents	*18*	822,629	199,291	2,020
		19,373,203	17,513,591	40,372,046
CURRENT LIABILITIES				
Other payables	*19*	5,820,000	3,091,349	24,696,000
NET CURRENT ASSETS		13,553,203	14,422,242	15,676,046
NET ASSETS		19,373,203	20,242,242	21,496,046
CAPITAL AND RESERVES				
Paid up capital	*20*	19,400,000	19,400,000	19,400,000
Reserves	*21*	(26,797)	842,242	2,096,046
TOTAL EQUITY		19,373,203	20,242,242	21,496,046

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity of Shanghai Jiyi					
	Share capital	Exchange reserve	Accumulated losses	Total	Minority interest	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Issued share	19,400,000	–	–	19,400,000	–	19,400,000
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	3,880,000	3,880,000
Loss for the year	–	–	(1,173,098)	(1,173,098)	(782,066)	(1,955,164)
At 31 December 2006	19,400,000	–	(1,173,098)	18,226,902	3,097,934	21,324,836
At 1 January 2007	19,400,000	–	(1,173,098)	18,226,902	3,097,934	21,324,836
Exchange realignment	–	1,319,063	–	1,319,063	–	1,319,063
Loss for the year	–	–	(1,824,352)	(1,824,352)	(1,216,235)	(3,040,587)
At 31 December 2007	19,400,000	1,319,063	(2,997,450)	17,721,613	1,881,699	19,603,312
At 1 January 2008	19,400,000	1,319,063	(2,997,450)	17,721,613	1,881,699	19,603,312
Exchange realignment	–	1,712,911	–	1,712,911	–	1,712,911
Loss for the year	–	–	(930,598)	(930,598)	(620,398)	(1,550,996)
At 31 December 2008	19,400,000	3,031,974	(3,928,048)	18,503,926	1,261,301	19,765,227

E. CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December 2006 HK$	2007 HK$	2008 HK$
OPERATING ACTIVITIES				
Loss before taxation		(1,955,164)	(3,040,587)	(1,550,996)
Adjustments for:				
Depreciation		172,272	182,928	198,912
Interest income		(4,079)	(20,980)	(18,546)
Foreign exchange loss, net		–	940,439	1,160,959
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL		(1,786,971)	(1,938,200)	(209,671)
(Increase)/decrease in other receivables		(18,572,135)	3,863,735	(24,077,946)
Increase/(decrease) in other payables		5,820,000	(670,691)	20,608,922
CASH (USED IN)/GENERATED FROM OPERATIONS		(14,539,106)	1,254,844	(3,678,695)
Tax paid				
Overseas income tax paid		–	–	–
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(14,539,106)	1,254,844	(3,678,695)
INVESTING ACTIVITIES				
Payment for purchase of plant and equipment		(861,360)	–	–
Interest received		4,079	20,980	18,546
Payment for purchase of intangible asset		(5,432,000)	–	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(6,289,281)	20,980	18,546
FINANCING ACTIVITIES				
Proceeds from share issued		19,400,000	–	–
Capital contribution by a minority shareholder of a subsidiary		3,880,000	–	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		23,280,000	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,451,613	1,275,824	(3,660,149)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		–	2,451,613	3,727,437
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	2,451,613	3,727,437	67,288

F. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shanghai Jiyi was incorporated as an exempted company with limited liability in PRC on 26 June 2006. The registered office of Shanghai Jiyi is located at 上海市冠生園路227號D座211室.

The principal activity of Shanghai Jiyi is investment holding. The principal activities of its subsidiaries are set out in note 15 to the financial statements.

The Financial Information is presented in Hong Kong dollars, unless otherwise stated. The functional currency of Shanghai Jiyi is RMB.

2. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

The Financial Information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong. A summary of the significant accounting policies adopted by Shanghai Jiyi Group is set out below.

b) GOING CONCERN BASIS

For the year ended 31 December 2008, Shanghai Jiyi Group had incurred a loss attributable to equity shareholder of Shanghai Jiyi of HK$1,173,098, HK$1,824,352, HK$930,598 for the year ended 31 December 2006, 2007 and 2008 respectively, its ability to continue as a going concern depends on the support from the shareholders has undertaken to provide continuing financial support to Shanghai Jiyi Group as may be necessary to enable it to operate as a going concern and meet its obligation in full as and when they fall due.

Based on the above, the directors are of the opinion that Shanghai Jiyi Group will remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the Financial Information on a going concern basis. The Financial Information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should Shanghai Jiyi Group be unable to continue as a going concern.

c) BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

d) SUBSIDIARIES AND MINORITY INTERESTS

Subsidiaries are entities controlled by Shanghai Jiyi Group. Control exists when Shanghai Jiyi Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by Shanghai Jiyi, whether directly or indirectly through subsidiaries, and in respect of which Shanghai Jiyi Group has not agreed any additional terms with the holders of those interests which would result in Shanghai Jiyi Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of Shanghai Jiyi. Minority interests in the results of Shanghai Jiyi Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Shanghai Jiyi.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against Shanghai Jiyi Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, Shanghai Jiyi Group's interest is allocated all such profits until the minority's share of losses previously absorbed by Shanghai Jiyi Group has been recovered.

In Shanghai Jiyi's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(g)), unless the investment is classified as held for sale.

e) PLANT AND EQUIPMENT

Plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(g)).

Gain or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimate useful lives as follows:

Plant and machinery	5 years
Motor vehicles	5 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

f) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired by the Shanghai Jiyi Group are stated in the balance sheet at cost less impairment losses (see note 2(g)). Expenditure on internally generated goodwill and brands is recognized as an expenses in the period in which it is incurred.

g) IMPAIRMENT OF ASSETS

i) Impairment of other receivables

Other current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For other current receivables that are carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Where the effect of discounting is material of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment

– Intangible assets

– investments in a subsidiary

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

h) OTHER RECEIVABLES

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(g)).

i) OTHER PAYABLES

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

j) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

k) EMPOLYEE BENEFITS

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

l) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial report purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in period into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences related to investments in subsidiaries to the extent that, in the case of taxable differences, Shanghai Jiyi Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reserve in the future.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Shanghai Jiyi or Shanghai Jiyi Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, Shanghai Jiyi or Shanghai Jiyi Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

m) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when Shanghai Jiyi Group or Shanghai Jiyi has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

n) REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to Shanghai Jiyi Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

Interest income is recognised as it occurs using the effective interest method.

o) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the years are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and loses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

p) RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to Shanghai Jiyi Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control Shanghai Jiyi Group or exercise significant influence over Shanghai Jiyi Group in making financial and operating policy decisions, or has joint control over Shanghai Jiyi Group;

ii) Shanghai Jiyi Group and the party are subject to common control;

iii) the party is an associate of Shanghai Jiyi Group or a joint venture in which Shanghai Jiyi Group is a venturer;

iv) the party is a member of key management personnel of Shanghai Jiyi Group or Shanghai Jiyi Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence or such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of Shanghai Jiyi Group or of any entity that is a related party of Shanghai Jiyi Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

q) SEGMENT REPORTING

A segment is a distinguishable component of Shanghai Jiyi Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with Shanghai Jiyi Group's internal financial reporting, Shanghai Jiyi Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Shanghai Jiyi Group enterprises within a single segment. Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Shanghai Jiyi Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of Financial Statements [3]
HKAS 23 (Revised)	Borrowing Costs [3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [3]
HKAS 39 (Amendment)	Eligible hedged items [4]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard [4]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations [3]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 7 (Amendments)	Improving disclosures about Financial Instruments [3]
HKFRS 8	Operating Segments [3]

HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives [5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate [3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation [7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers [8]

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

The application of HKFRS 3 (Revised) may affect the Shanghai Jiyi Group's 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 Shanghai Jiyi Group's ownership interest in a subsidiary.

The Shanghai Jiyi's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Shanghai Jiyi Group.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Shanghai Jiyi Group's major financial instruments include other receivables and other payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Interest rate risk

As Shanghai Jiyi Group has no significant interest bearing liabilities, Shanghai Jiyi Group's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances. Floating-rate interest income is charged to the income statement as incurred.

b) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rates which will affect the Shanghai Jiyi Group's financial results and its cash flows.

Shanghai Jiyi Group mainly operates in PRC and Hong Kong. Most of the Shanghai Jiyi Group's transactions, assets and liabilities are denominated in RMB.

Most of Shanghai Jiyi Group's and the Shanghai Jiyi's transactions, assets and liabilities are denominated in a currency same as the functional currency of the entity to which they related.

Foreign exchange risk arises from net investments in foreign operations. Shanghai Jiyi Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

c) Credit risk

i) During the financial period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

ii) Shanghai Jiyi Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

d) Fair value

The fair values of cash and cash equivalents, bank deposits, other receivables, other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

All financial instruments are carried at amounts not materially different from their fair values for the accounting period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a) Critical accounting judgements in applying the Shanghai Jiyi Group's accounting policies

Certain critical accounting judgements in applying the Shanghai Jiyi Group's accounting policies are described below.

Going concern basis

As mentioned in Note 2(b) to the Financial Information, the directors are satisfied that Shanghai Jiyi Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that Shanghai Jiyi Group will be able to continue in operational existence in the foreseeable future, the Financial Information has been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the profit for the year and net assets of Shanghai Jiyi Group.

6. SEGMENT REPORTING

Shanghai Jiyi Group conducts its business within one business segment, that is the business of investment holding. Accordingly, no business segment information is presented. The Shanghai Jiyi Group operates within two geographical segment namely in PRC and Hong Kong. Over 90% of segment assets, liabilities and capital expenditure are located in the PRC and therefore no geographical segments are presented.

7. TURNOVER

The principal activity of Shanghai Jiyi Group is investment holdings.

8. OTHER REVENUE

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Interest income*	4,079	20,980	18,546
Others	–	54,381	10,578
	4,079	75,361	29,124

* *It represented total interest income on financial assets not at fair value through profit or loss*

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

a) Other items

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Auditors' remuneration*	–	–	–
Depreciation – Owned fixed assets	172,272	182,928	198,912
Staff costs – wages, salaries and other benefit	158,266	381,783	239,626
Exchange loss	–	–	142

* *Auditors' remuneration of HK$Nil, HK$11,330 and HK$12,656 which was paid by the shareholder for the years ended 31 December 2006, 2007 and 2008 respectively.*

10. INCOME TAX IN THE INCOME STATEMENT

a) No Hong Kong profits tax has been provided for in the consolidated financial statements as the Shanghai Jiyi Group has no assessable profits in Hong Kong for financial years 2006, 2007 and 2008.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2006: 33%; 2007: 33%).

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 change the tax rate from 33% to 25% effective from 1 January 2008.

b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Loss before taxation	(1,955,164)	(3,040,587)	(1,550,996)
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	(645,204)	(1,003,393)	(387,749)
Tax effect of non-deductible expenses	56,850	60,366	49,728
Tax effect of non-taxable revenue	–	(10,130)	–
Tax effect of unrecognised tax losses	588,354	953,157	338,021
Tax expense	–	–	–

No deferred tax asset has been recognised in relation to the tax losses as it is not probable that future taxable profit will be available against which the tax losses can be utilised.

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance during the years ended 31 December 2006, 2007 and 2008 are HK$Nil.

None of the directors has waived any emoluments during the Relevant Periods.

12. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in Shanghai Jiyi Group, none of the directors of Shanghai Jiyi whose emoluments are included during the years ended 31 December 2006, 2007 and 2008. The emoluments of the remaining five individuals were as follows:

	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Salaries, allowance and benefits in kind	48,355	116,717	134,230

Their emolument were all within the band HK$Nil to HK$1,000,000 during the years ended 31 December 2006, 2007 and 2008.

13. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF SHANGHAI JIYI

The consolidated loss attributable to equity shareholders of Shanghai Jiyi includes a loss of HK$26,797, profit of HK$30,697, and loss of HK$6,391 for the years ended 31 December 2006, 2007 and 2008 respectively which has been dealt with in the Financial Information of Shanghai Jiyi.

14. PLANT AND EQUIPMENT

Shanghai Jiyi Group

	Plant and machinery	Motor vehicles	Total
	HK$	*HK$*	*HK$*
Cost			
Additions	308,460	552,900	861,360
At 31 December 2006 and 1 January 2007	308,460	552,900	861,360
Additions	–	–	–
Exchange realignment	19,080	34,200	53,280
At 31 December 2007 and 1 January 2008	327,540	587,100	914,640
Exchange realignment	28,620	51,300	79,920
At 31 December 2008	356,160	638,400	994,560
Accumulated depreciation			
Charge for the year	(61,692)	(110,580)	(172,272)
At 31 December 2006 and 1 January 2007	(61,692)	(110,580)	(172,272)
Exchange realignment	(3,816)	(6,840)	(10,656)
Charge for the year	(65,508)	(117,420)	(182,928)
At 31 December 2007 and 1 January 2008	(131,016)	(234,840)	(365,856)
Exchange realignment	(11,448)	(20,520)	(31,968)
Charge for the year	(71,232)	(127,680)	(198,912)
At 31 December 2008	(213,696)	(383,040)	(596,736)
Net book value			
At 31 December 2006	246,768	442,320	689,088
At 31 December 2007	196,524	352,260	548,784
At 31 December 2008	142,464	255,360	397,824

15. INVESTMENT IN A SUBSIDIARY

	Shanghai Jiyi		
	Year ended 31 December		
	2006	2007	2008
	HK$	*HK$*	*HK$*
Unlisted paid-up capital, at cost *	5,820,000	5,820,000	5,820,000

* *The total registered and paid-up capital of the subsidiary is RMB10,000,000 and Shanghai Jiyi contributed RMB6,000,000.*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of Shanghai Jiyi Group.

All of these are controlled subsidiaries as defined under note 2(d) and have been consolidated into Shanghai Jiyi Group Financial Information.

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Shanghai Jiyi Group's effective interest	Held by Shanghai Jiyi	Held by a subsidiary	
Keshi Ketengqi *	PRC	RMB10,000,000	60%	60%	–	Mineral Resources

* *For identification only*

16. INTANGIBLE ASSETS

Shanghai Jiyi Group

	Exploration assets
	HK$
Cost	
Addition	5,432,000
At 31 December 2006 and 1 January 2007	5,432,000
Exchange realignment	336,000
At 31 December 2007 and 1 January 2008	5,768,000
Exchange realignment	504,000
At 31 December 2008	6,272,000

	HK$
Net book value	
At 31 December 2006	5,432,000
At 31 December 2007	5,768,000
At 31 December 2008	6,272,000

Note:

a) Intangible assets represent the rights to explore held by the Group.

The exploration right are stated at cost less impairment losses.

b) As advised by the Shanghai Jiyi Group's PRC legal advisor, Keshi Ketengqi had the exploration right, and there is no foreseeable legal impediments for Keshi Ketengqi continue to operate the mining business.

17. OTHER RECEIVABLES

	Shanghai Jiyi Group		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Other receivables	18,569,973	14,708,400	38,786,346
Due from minority shareholder*	2,162	–	–
Loans and receivables	18,572,135	14,708,400	38,786,346

	Shanghai Jiyi		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Other receivables	18,550,574	14,224,300	38,786,346
Due from a subsidiary*	–	3,090,000	1,583,680
Loans and receivables	18,550,574	17,314,300	40,370,026

* *The amounts was unsecued, interest-free and repayable on demand.*

18. CASH AND CASH EQUIVALENTS

	Shanghai Jiyi Group		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Cash at bank and in hand	2,451,613	3,727,437	67,288
Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement	2,451,613	3,727,437	67,288

	Shanghai Jiyi		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Cash at bank and in hand	822,629	199,291	2,020
Cash and cash equivalents in the balance sheet	822,629	199,291	2,020

19. OTHER PAYABLES

	Shanghai Jiyi Group		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Other payables	–	30	24,696,000
Other taxation payable	–	1,319	–
Due to a related party*	5,820,000	3,090,000	–
Due to minority shareholder*	–	2,057,960	1,062,231
Financial liabilities measured at amortised cost	5,820,000	5,149,309	25,758,231

	Shanghai Jiyi		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Other payables	–	30	24,696,000
Other taxation payable	–	1,319	–
Due to a related party*	5,335,000	3,090,000	–
Due to a subsidiary*	485,000	–	–
Financial liabilities measured at amortised cost	5,820,000	3,091,349	24,696,000

All of the other payables are expected to be settled within one year.

* *The amounts were unsecured, interest-free and repayable on demand.*

20. PAID UP CAPITAL

	HK$
Registered, issued and fully paid:	
At 31 December 2006, 2007 and 2008	19,400,000

The Company was incorporated in PRC on 12 July 2006 with a paid up capital of RMB20,000,000.

21. RESERVES

a) Shanghai Jiyi Group

	Attributable to equity of Shanghai Jiyi				
	Exchange reserve	Accumulated losses	Total	Minority interest	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Capital contribution by a minority shareholder of a subsidiary	–	–	–	3,880,000	3,880,000
Loss for the year	–	(1,173,098)	(1,173,098)	(782,066)	(1,955,164)
At 31 December 2006	–	(1,173,098)	(1,173,098)	3,097,934	1,924,836
At 1 January 2007	–	(1,173,098)	(1,173,098)	3,097,934	1,924,836
Exchange realignment	1,319,063	–	1,319,063	–	1,319,063
Loss for the year	–	(1,824,352)	(1,824,352)	(1,216,235)	(3,040,587)
At 31 December 2007	1,319,063	(2,997,450)	(1,678,387)	1,881,699	203,312
At 1 January 2008	1,319,063	(2,997,450)	(1,678,387)	1,881,699	203,312
Exchange realignment	1,712,911	–	1,712,911	–	1,712,911
Loss for the year	–	(930,598)	(930,598)	(620,398)	(1,550,996)
At 31 December 2008	3,031,974	(3,928,048)	(896,074)	1,261,301	365,227

b) Shanghai Jiyi

	Exchange reserve	Retained profits/ (Accumulated losses)	Total
	HK$	*HK$*	*HK$*
Loss for the year	–	(26,797)	(26,797)
At 31 December 2006	–	(26,797)	(26,797)
At 1 January 2007	–	(26,797)	(26,797)
Exchange realignment	838,342	–	838,342
Profit for the year	–	30,697	30,697
At 31 December 2007	838,342	3,900	842,242
At 1 January 2008	838,342	3,900	842,242
Exchange realignment	1,260,195	–	1,260,195
Loss for the year	–	(6,391)	(6,391)
At 31 December 2008	2,098,537	(2,491)	2,096,046

c) Nature and purpose of reserves

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting polices set out in note 2(n).

d) Distributability of reserves

At 31 December 2006, 2007 and 2008, the aggregate amount of reserves available for distribution to equity shareholder of Shanghai Jiyi were HK$Nil.

e) Capital management

Shanghai Jiyi Group's objectives when managing capital are to ensure that entities in Shanghai Jiyi Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, Shanghai Jiyi Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

22. MATERIAL RELATED PARTY TRANSACTIONS

a) Key Management personnel remuneration

Remuneration for key management personnel of Shanghai Jiyi Group, including certain of the highest paid employees as disclosed in note 12, is as followings:

	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Salaries, allowance and benefits in kind	42,567	93,912	94,768

b) Outstanding balances with related parties

	Amounts owed by related parties As at 31 December			**Amounts owed to related parties As at 31 December**		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Outstanding balances with a minority shareholder: (克什克騰旗鑫元礦業有限責任公司)	2,162	–	–	–	2,057,960	1,062,231
Outstanding balances with a related party: 徐東	–	–	–	5,335,000	3,090,000	–
	2,162	–	–	5,335,000	5,147,960	1,062,231

The balances with these related parties are unsecured, interest-free and have no fixed terms of repayment.

23. ULTIMATE CONTROLLING PARENT COMPANY

As at 31 December 2006 and 2007, the ultimate controlling parent company of Shanghai Jiyi Group was 上海復裕行經貿展有限公司, which was incorporated in the PRC and as at 31 December 2008, the ultimae controlling parent company of Shanghai Jiyi Group was 上海霖泊商貿發展有限公司, which were incorporated in the PRC.

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Shanghai Jiyi Group in respect of any period subsequent to 31 December 2008.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Alvin Yeung
Practising Certificate Number P05206

A UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

The following is an illustrative unaudited pro forma consolidated balance sheet of China Properties Investment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), prepared to illustrate the effect of the proposed acquisition of the entire shareholding interest in Main Pacific Group Limited (the "Target Company"), on the financial position of the Group as at the completion date with adjustments to reflect the effect of the Acquisition (the "Enlarged Group").

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 30 September 2008.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is based on the unaudited consolidated balance sheet as at 30 September 2008 of the Group after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated balance sheet is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 September 2008. The unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to predict the future position of the Enlarged Group.

The unaudited pro forma consolidated balance sheet is prepared by the directors for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following completion of the Acquistion.

	The Group as at 30 September 2008	Main Pacific Group as at 31 December 2008	Shanghai Jiyi Group as at 31 December 2008	Pro forma adjustment relating to Acquisition			Unaudited pro forma of the Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
	A	*B*	*C*				
NON-CURRENT ASSETS							
Investment in subsidiaries	–	–	–	300,000,000	–	(300,000,000)	–
Property, plant and equipment	1,331,108	–	397,824	–	–	–	1,728,932
Investment properties	307,277,001	–	–	–	–	–	307,277,001
Intangible assets	–	–	6,272,000	–	813,728,000	–	820,000,000
	308,608,109	–	6,669,824	300,000,000	813,728,000	(300,000,000)	1,129,005,933
CURRENT ASSETS							
Trade and other receivables	25,711,756	1,711,504	38,786,346	–	–	–	66,209,606
Trading securities	79,010	–	–	–	–	–	79,010
Cash and cash equivalents *(Note 8)*	13,721,351	113,922	67,288	(43,000,000)	–	–	(29,097,439)
	39,512,117	1,825,426	38,853,634	(43,000,000)	–	–	37,191,177
CURRENT LIABILITIES							
Other payables and accruals	4,352,505	1,917,149	25,758,231	–	–	–	32,027,885
Interest-bearing borrowings	5,675,500	–	–	–	–	–	5,675,500
	10,028,005	1,917,149	25,758,231	–	–	–	37,703,385
NET CURRENT ASSETS/ (LIABILITIES)	29,484,112	(91,723)	13,095,403	(43,000,000)	–	–	(512,208)
TOTAL ASSETS LESS CURRENT LIABILITIES	338,092,221	(91,723)	19,765,227	257,000,000	813,728,000	(300,000,000)	1,128,493,725

	The Group as at 30 September 2008 HK$ (Note 1) A	Main Pacific Group as at 31 December 2008 HK$ (Note 2) B	Shanghai Jiyi Group as at 31 December 2008 HK$ (Note 3) C	Pro forma adjustment relating to Acquisition HK$ (Note 4)	HK$ (Note 5)	HK$ (Note 6)	Unaudited pro forma of the Enlarged Group HK$
NON-CURRENT LIABILITIES							
Interest-bearing borrowings	99,888,800	–	–	–	–	–	99,888,800
Deferred tax liabilities	18,358,213	–	–	–	–	–	18,358,213
Convertible notes	–	–	–	260,000,000	–	–	260,000,000
	118,247,013	–	–	260,000,000	–	–	378,247,013
NET ASSETS/(LIABILITIES)	219,845,208	(91,723)	19,765,227	(3,000,000)	813,728,000	(300,000,000)	750,246,712
CAPITAL AND RESERVES							
Share capital	17,636,982	8	19,400,000	–	–	(19,400,008)	17,636,982
Reserves	202,208,226	(91,731)	(896,074)	(3,000,000)	415,001,280	(283,375,581)	329,846,120
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS	219,845,208	(91,723)	18,503,926	(3,000,000)	415,001,280	(302,775,589)	347,483,102
MINORITY INTEREST	–	–	1,261,301	–	398,726,720	2,775,589	402,763,610
	219,845,208	(91,723)	19,765,227	(3,000,000)	813,728,000	(300,000,000)	750,246,712

Notes:

1. Column A is extracted from the unaudited consolidated balance sheet of the Group as at 30 September 2008 as set out in Appendix I of this circular.

2. Column B is extracted from the Accountants' Report on the Main Pacific Group as set out in Appendix III-A to this circular.

3. Column C is extracted from the Accountants' Report on the Shanghai Jiyi Group as set out in Appendix III-B to this circular.

4. To record the consideration of HK$300,000,000 payable to the vendor upon the acquisition. In accordance with the terms of the sale and purchase agreement, the consideration of the acquisition will be settled by cash amounting HK$40,000,000 and convertible bonds amounting HK$260,000,000. The estimated transaction costs (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately HK$3,000,000 which are directly attributable to the Acquisition.

5. The adjustment reflects the allocation of the cost of the acquisition to the identifiable assets and liabilities of the Main Pacific Group and Shanghai Jiyi Group.

   Upon completion of the acquisition, the identifiable assets and liabilities of the Main Pacific Group and Shanghai Jiyi Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting. The identifiable assets and liabilities of the Main Pacific Group and Shanghai Jiyi Group are recorded in the unaudited pro forma consolidated balance sheet of the Enlarged Group at their fair values estimated by the directors with reference to the valuation report prepared by BMI for this Circular. The pro forma adjustment represents the fair value adjustment to the intangible assets of HK$813,728,000 and the corresponding minority interest HK$398,726,720. Other than the intangible assets, other assets and liabilities of the Main Pacific Group and Shanghai Jiyi Group approximate their carrying amount.

6. The adjustment reflects elimination of investment in subsidiaries with the capital and reserves of the subsidiaries and recognition of minority interest. Negative goodwill of approximately HK$130,637,894 was recognised in the income statement.

7. Reconciliation of negative goodwill

	HK$
Total equity attributable to equity shareholders of	
– Main Pacific Group	(91,723)
– Shanghai Jiyi Group	18,503,926
Fair value adjustment	813,728,000
	832,140,203
Minority interest for fair value adjustment	(398,726,720)
	433,413,483
15% Minority interest of Shanghai Jiyi Group	(2,775,589)
Consideration	(300,000,000)
Negative goodwill	130,637,894

8. The negative balance on cash and cash equivalents will be financed by placing of new Shares on 22 May 2009. The total number of placing shares is 350,000,000 shares at a price of HK$0.133 per shares. The total net proceeds from the share subscription is approximately HK$45,218,000.

9. No adjustments have been made to reflect any trading results or other transactions of the Group, the Main Pacific Group and the Shanghai Jiyi Group entered into subsequent to 30 September 2008, 31 December 2008 and 31 December 2008 respectively.

2. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT AND CASH FLOW STATEMENT OF THE ENLARGED GROUP

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 1 April 2007.

The unaudited pro forma consolidated income statement of the Enlarged Group is based on the audited consolidated income statement for the year ended 31 March 2008 of the Group after making pro forma adjustments the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated income statement is based on a number of assumption. Accordingly, the accompanying unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group does not purport to describe the results and cash flow of the Enlarged Group that would have been attained had the Acquisition been completed at 1 April 2007. The unaudited pro forma consolidated income statement of the Enlarged Group does not purport to predict the future result and cash flow of the Enlarged Group.

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared by the directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and cash flow of the Enlarged Group had the Acquisition actually occurred at beginning of the year ended 31 March 2008, for any further financial periods.

	The Group for the year ended 31 March 2008	Main Pacific Group as at 31 December 2008	Shanghai Jiyi Group as at 31 December 2008	Pro forma adjustment relating to Acquisition			Unaudited pro forma of the Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
	A	*B*	*C*				
TURNOVER	18,743,981	–	–	–	–	–	18,743,981
Direct outgoings	(2,522,807)	–	–	–	–	–	(2,522,807)
Gross profit	16,221,174	–	–	–	–	–	16,221,174
Valuation gains on investment properties	34,357,895	–	–	–	–	–	34,357,895
Negative Goodwill	–	–	–	–	–	130,637,894	130,637,894
Other revenue	1,418,121	17,339	29,124	–	–	–	1,464,584
Administrative expenses	(20,889,500)	(18,697)	(1,580,120)	(3,000,000)	–	–	(25,488,317)
Equity settled share-based payment expenses	(61,139,425)	–	–	–	–	–	(61,139,425)
Other operating expenses	(154,839)	(9,024)	–	–	–	–	(163,863)
(Loss)/profit from operations	(30,186,574)	(10,382)	(1,550,996)	(3,000,000)	–	130,637,894	95,889,942
Finance costs	(6,013,651)	–	–	–	(7,800,000)	–	(13,813,651)
(Loss)/profit before taxation	(36,200,225)	(10,382)	(1,550,996)	(3,000,000)	(7,800,000)	130,637,894	82,076,291
Income tax	7,424,031	–	–	–	–	–	7,424,031
(LOSS)/PROFIT FOR THE YEAR	(28,776,194)	(10,382)	(1,550,996)	(3,000,000)	(7,800,000)	130,637,894	89,500,322
(LOSS)/PROFIT ATTRIBUTABLE TO:							
Equity shareholders of the Company	(28,776,194)	(10,382)	(930,598)	(3,000,000)	(7,800,000)	130,637,894	90,120,720
Minority interest	–	–	(620,398)	–	–	–	(620,398)
(LOSS)/PROFIT FOR THE YEAR	(28,776,194)	(10,382)	(1,550,996)	(3,000,000)	(7,800,000)	130,637,894	89,500,322

Notes:

1. Column A is extracted from the audited consolidated income statement for the year ended 31 March 2008 of the Group as set out in Appendix I of this circular.

2. Column B is extracted from the Accountants' Report on the Main Pacific Group as set out in Appendix III-A to this circular.

3. Column C is extracted from the Accountants' Report on the Shanghai Jiyi Group as set out in Appendix III-B to this circular.

4. The adjustment reflects the estimated transaction costs (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately HK$3,000,000 which are directly attributable to the Acquisition.

5. The adjustment represents the 3% interest paid for the of HK$260 million Convertible bonds.

6. Negative goodwill of approximately HK$130,637,894 was recognised in the income statement.

7. No adjustments have been made to reflect any trading results or other transactions of the Group, the Main Pacific Group and the Shanghai Jiyi Group entered into subsequent to 31 March 2008, 31 December 2008 and 31 December 2008 respectively.

3. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

The following is the unaudited pro forma consolidated cash flow statement of the Group assuming that the Acquisition had been completed as of 1 April 2007. The unaudited consolidated cash flow statement was prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2008, after adjusting mainly for the exclusion of the cash flows arising from the activities of the Acquisition, and the inclusion of the cash flows relating to the Acquisition.

The unaudited pro forma consolidated cash flow statement of the Enlarged Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 1 April 2007.

The unaudited pro forma consolidated cash flow statement of the Enlarged Group is based on the audited consolidated cash flow statement for the year ended 31 March 2008 of the Group after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated cash flow statement is prepared by the directors for illustrative purposes only and because of its nature, it may not give a true picture of the cash flows of the Group for the year ended 31 March 2008, had the Acquisition taken place on 1 April 2007, or for any future financial periods.

	The Group for the year ended 31 March 2008	Main Pacific Group for the year ended 31 December 2008	Shanghai Jiyi Group for the year ended 31 December 2008	Pro forma adjustment relating to Acquisition			Unaudited pro forma of the Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
	A	*B*	*C*				
OPERATING ACTIVITIES							
(Loss)/profit before taxation	(36,200,225)	(10,382)	(1,550,996)	130,637,894	(3,000,000)	(7,800,000)	82,076,291
Adjustments for:							
Negative goodwill	–	–	–	(130,637,894)	–	–	(130,637,894)
Depreciation	325,834	1,354	198,912	–	–	–	526,100
Valuation gains on investment properties	(34,357,895)	–	–	–	–	–	(34,357,895)
Unrealied losses on trading securities	154,839	–	–	–	–	–	154,839
Equity settled share-based payment expenses	61,139,425	–	–	–	–	–	61,139,425
Written off of plant and equipment	–	9,024	–	–	–	–	9,024
Foreign exchange loss, net	996,973	74,384	1,160,959	–	–	–	2,232,316
Finance costs	6,013,651	–	–	–	–	7,800,000	13,813,651
Interest income	(834,509)	(10,667)	(18,546)	–	–	–	(863,722)
Operating loss before changes in working capital	(2,761,907)	63,713	(209,671)	–	(3,000,000)	–	(5,907,865)

	The Group for the year ended 31 March 2008 HK$ (Note 1) A	Main Pacific Group for the year ended 31 December 2008 HK$ (Note 2) B	Shanghai Jiyi Group for the year ended 31 December 2008 HK$ (Note 3) C	Pro forma adjustments relating to Acquisition HK$ (Note 4)	HK$ (Note 5)	HK$ (Note 6)	Unaudited pro forma of the Enlarged Group HK$
Increase in due from a director	(14,777)	–	–	–	–	–	(14,777)
Decrease in due to a director	(35,102)	–	–	–	–	–	(35,102)
Decrease/(increase) in trade and other receivables	(2,406,638)	(1,253,566)	(24,077,946)	–	–	–	(27,738,150)
(Decrease)/Increase in other payables and accruals	(668,687)	282,731	20,608,922	–	–	–	20,222,966
Cash generated from/(used in) operations	(5,887,111)	(907,122)	(3,678,695)	–	(3,000,000)	–	(13,472,928)
Tax refund	18,809	–	–	–	–	–	18,809
NET CASH USED IN OPERATING ACTIVITIES	(5,868,302)	(907,122)	(3,678,695)	–	(3,000,000)	–	(13,454,119)
INVESTING ACTIVITIES							
Deposit paid for the purchase of investment properties	(15,435,000)	–	–	–	–	–	(15,435,000)
Purchase of investment properties	(131,818,943)	–	–	–	–	–	(131,818,943)
Payment for acquisition of subsidiaries	–	–	–	(40,000,000)	–	–	(40,000,000)
Purchase of plant and equipment	(823,320)	–		–	–	–	(823,320)
Interest received	834,509	10,667	18,546	–	–	–	863,722
Acquisition of trading securities	(347,319)	–	–	–	–	–	(347,319)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(147,590,073)	10,667	18,546	(40,000,000)	–	–	(187,560,860)
FINANCING ACTIVITIES							
Proceeds from issue of shares	213,890,372	–	–	–	–	–	213,890,372
Inception of bank loan	101,750,102	–	–	–	–	–	101,750,102
Repayment of bank loans	(2,035,002)	–	–	–	–	–	(2,035,002)
Exercise of share option	170,000	–	–	–	–	–	170,000
Repayment of other payable	(2,751,624)	–	–	–	–	–	(2,751,624)
Interest paid	(6,013,651)	–	–	–	–	(7,800,000)	(13,813,651)
Share issuance expense	(6,327,049)	–	–	–	–	–	(6,327,049)
Repayment of long term payable	(126,437,822)	–	–	–	–	–	(126,437,822)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	172,245,326	–	–	–	–	(7,800,000)	164,445,326
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,786,951	(896,455)	(3,660,149)	(40,000,000)	(3,000,000)	(7,800,000)	(36,569,653)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	404,732	–	–	–	–	–	404,732
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,801,798	1,010,377	3,727,437	–	–	–	10,539,612
CASH AND CASH EQUIVALENTS AT END OF YEAR	24,993,481	113,922	67,288	(40,000,000)	(3,000,000)	(7,800,000)	(25,625,309)

Notes:

1. Column A is extracted from the audited consolidated cash flow statement for the year ended 31 March 2008 of the Group as set out in Appendix I of this circular.

2. Column B is extracted from the Accountants' Report on the Main Pacific Group as set out in Appendix III-A to this circular.

3. Column C is extracted from the Accountants' Report on the Shanghai Jiyi Group as set out in Appendix III-B to this circular.

4. The adjustment represents the deposit payment of HK$40,000,000 as part of the consideration according to the sale and purchases agreement.

5. The adjustment represents the payment for transaction cost (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately HK$3,000,000 which are directly attributable to the Acquisition.

6. The adjustment represents the 3% interest paid for the of HK$260 million convertible bonds.

7. No adjustments have been made to reflect any trading results or other transactions of the Group, the Main Pacific Group and the Shanghai Jiyi Group entered into subsequent to 31 March 2008, 31 December 2008 and 31 December 2008 respectively.

B REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is the full text of a report received from the reporting accountants, CCIF CPA Limited, for the purpose of incorporation in this circular.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

The Board of Directors
China Properties Investment Holdings Limited
Room 2001, 20/F
Lippo Centre, Tower Two
89 Queensway Road
Hong Kong

30 June 2009

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of China Properties Investment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out in Appendix IV to the circular dated 30 June 2009 (the "Circular") in connection with the proposed acquisition of the entire shareholding interest in Main Pacific Group Limited (the "Acquisition") as at the completion date by the Group (the "Enlarged Group"). The unaudited pro forma financial information on the Group together with financial information of the Acquisition has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix IV to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by Rule 4.29(7) 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 in Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 September 2008 or any future dates; or
- the results and cash flows of the Enlarged Group for the year ended 31 March 2008 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Alvin Yeung
Practising Certificate Number P05206

A. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below are the management discussion and analysis of the Group as extracted from the interim report of the Company for the six months ended 30 September 2008 and the annual reports of the Company for the three years ended 31 March 2008:

For the six months ended 30 September 2008:

Business and Financial Review

The group continued to focus on the properties investment business for the period under review. As at 30 September 2008, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters, all of which were leased to third parties under operating leases with lease terms ranging from one years to ten years.

For the period under review, the group's turnover was approximately HK$13.1 million (2007: approximately HK$6.1 million), representing an increase of approximately 114% compared with the same period last year. The increase in turnover was mainly due to the increase in rental income through acquisition of investment properties in Shanghai during the second half of 2007. The unaudited net loss for the period under review was approximately HK$120.5 million and the loss per share for was HK6.83 cents (2007: HK0.28 cents). The loss for the period was mainly attributable to the unrealized loss on fair value change of the group's investment properties. The directors believe that such fair value change was resulting from the macro economic austerity policies of the mainland China as well as the impact of the global financial crisis. However, there was no cash flow impact on the group for such loss. Meanwhile, the corresponding reduction in accumulated deferred tax provisionfor the investment properties of the group amounted to approximately HK$43.1 million for the period which helped to relieve the overall losses of the group.

The administrative expenses of the group for the period amounted to approximately HK$7.5 million, representing a decrease of approximately 29% compared with the same period last year. The finance cost of the group amounted to approximately HK$4.8 million which wasincurred for the bank loans under the security of two investment properties in Shanghai.

Liquidity and Financial Resources

As at 30 September 2008, the group's net current assets were approximately HK$29.5 million (at 31 March 2008: approximately HK$35.4 million), including cash and bank balance of approximately HK$13.7 million (at 31 March 2008: approximately HK$25 million).

The group had bank borrowings of approximately HK$105.6 million as at 30 September 2008 (at 31 March 2008: approximately HK$109.4 million). All of the borrowings were bank loans under security, of which 5.4% were due within one year from balance sheet date, 5.4% were due more than one year but not exceeding two years, 26.9% were due more than two years but not exceeding five years and 62.3% were due more than five years. The gearing ratio, defined as the percentage of total bank borrowings to total equity, was approximately 48% (at 31 March 2008: 32%).

Investment Position

The group did not have any significant investment position in stocks, bonds and other financial derivatives as at 30 September 2008.

Foreign Exchange Exposure

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation. During the period under review, the group did not use any financial instruments for hedging purposes.

Capital Structure

There was no changes in capital structure of the company for the period ended 30 September 2008.

Charges on group's Assets

As at 30 September 2008, the group's investment properties with a value of approximately HK$191.7 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, the wholly-owned subsidiary of the group.

Contingent Liabilities

As at 30 September 2008, the group does not have any material contingent liability (2007: HK$nil).

Acquisition and Disposal of Subsidiaries

There was no acquisition and disposal of subsidiaries and affiliated companies of the group during the period ended 30 September 2008.

Employees

As at 30 September 2008, the group had 36 employees. The remuneration was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

Outlook

The prolonged economic austerity measures of the mainland China during the first half of 2008 and the volatility of the global financial market adversely affected the property sector in the mainland China. In addition, Shanghai is now facing the problem of oversupply in commercial properties. In accordance with the recently published property research, Shanghai will take at least 4 years to fully digest the existing vacant commercial properties as well as the new supplies in foreseeable future. As the industry outlook remains weak, it is not too surprising with dramatic downturn of China's property market.

The global financial crisis has continued to shake global markets and the global economy is likely to slip into recession. We believe it will lead to a slowdown in mainland China's economic growth in the years to come. As the operations of the group are primarily located in the mainland China, it will have adverse impact on the financial performance of the group inevitably. The group will adopt conservative strategies in its business development in short-term and will also exercise stringent cost control during the depressing time.

Looking ahead, we are still optimism for the long term economic outlook of mainland China. The group will continue to look for any profitable investment opportunities even in any other steam in the long run.

For the year ended 31 March 2008

Operating Results

Continuing operation – Properties investment business

For the year under review, the group's turnover was approximately HK$18.7 million (2007: approximately HK$5.7 million), representing an increase of approximately 231% compared with last year. The increase in turnover was mainly due to the increase in rental income through acquisition of investment properties in Shanghai during the second half of 2007 and 2008 respectively.

The audited loss for the year was approximately HK$28.8 million and the loss per share was HK2.26 cents (2007: earnings per share HK1.55 cents). The loss for the year was mainly due to the sharebased payment by granting of share options to certain executive directors and key employees under the share option scheme of the company during the year. The fair value of the share options granted as at the date of grant was approximately HK$61.1 million which was recognized as expenses for the year under the requirements of HKFRS 2. However, there was no cash outlay from the company for granting these share options. The finance cost of the group for the year amounted to approximately HK$6 million which was incurred for the bank loans under the security of two investment properties in Shanghai.

Meanwhile, the group has elected the fair value model for investment properties under the HKAS 40 for the year. As at 31 March 2008, the investment properties of the group were revalued at approximately HK$470.7 million by Castores Magi (Hong Kong) Limited, an independent professionalvaluer. The group recorded a gain on fair value change of investment properties, amounted toapproximately HK$34.4 million in its income statement for the year.

In addition, the income tax rate in the mainland China has been changed from 33% to 25% with effect from 1 January 2008. As a result, the deferred tax liabilities arising from revaluation of properties of the group was reduced by approximately HK$15.6 million for the year which helped to relieve the overall losses of the group.

Discontinued operation

As the group ceased its electronic consumer products and snap off blade cutters businesses since last financial year, it has no effect on the operating results of the group for the year under review.

Business Review

The group entered into three sale and purchase agreements with three independent third parties on 10 July 2007 for the acquisition of three commercial properties in Shanghai. The total consideration payable by the company for the acquisitions was approximately HK$160 million in aggregate. Details of such acquisitions were set out in the circular of the company dated 14 August 2007. Among the three properties, the acquisition of the property comprising two office floors on Levels 14 and 15 ofYun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC was terminated due to one of the conditions as specified in the relevant sales and purchase agreement cannot be fulfilled. Such termination will not have any material adverse effects on the business or financial position of the group and the group will continue to explore other suitableinvestment opportunities. Details of the termination were disclosed in the announcement of thecompany dated 2 July 2008. Whereas the acquisition of the other two properties were completed during the year under review.

As at 31 March 2008, the aggregate gross floor area of the investment properties being held by the group was approximately 10,736 square meters, representing an increase of approximately 91% compared with last year. The investment properties of the group were located in fast developing area or city centre of Shanghai and the average occupancy rates were 100% for the year. The investment properties are leased to third parties under operating leases with lease terms ranging from two years to twelve years. The rental income generated from the investment properties amounted to approximately HK$2.1 million per month. The increase in investment properties will not only expand the property portfolio of the group, but will also provides a stable source of rental income to the group in the future.

Liquidity and Financial Resources

As at 31 March 2008, the group's net current assets were approximately HK$35.4 million (2007: approximately HK$2 million), including cash and bank balance of approximately HK$25 million (2007: approximately HK$5.8 million).

The group had borrowings of approximately HK$109.4 million as at 31 March 2008 (2007: approximately HK$162.5 million, being the amount due to an independent third party). All of the borrowings were bank loans under security, of which 4.6% were due within one year from balance sheet date, 5.1% were due more than one year but not exceeding two years, 23% were due more than two years but not exceeding five years and 67.3% were due more than five years. The gearing ratio, defined as the percentage of total bank borrowings to total equity, was approximately 32% (2007: nil).

Investment Position and Planning

Save as the investment properties disclosed in the Business Review above, the group did not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2008.

Foreign Exchange Exposure

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation.

Capital Structure

Save as disclosed in the note 31 to the financial statement, there was no other changes in capital structure of the company for the year ended 31 March 2008.

Charges on Group's Assets

As at 31 March 2008, the group's investment properties with a value of approximately HK$305.1 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, the wholly-owned subsidiary of the group.

Contingent Liabilities

As at 31 March 2008, the group did not have any material contingent liability (2007: Nil).

Acquisition and Disposal of Subsidiaries

There was no material acquisitions and disposals of subsidiaries and affiliated companies of the group during the year ended 31 March 2008.

Employees

As at 31 March 2008, the group had 42 employees (2007: 31). The remuneration was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

For the year ended 31 March 2007

Review of results

The Group's turnover was HK$58.9 million (2006: HK$99.2 million), representing an decrease of 40.6% from the same period of last year and loss per share was HK5.10 cents (2006: HK10.80 cents). During the year, the Group has ceased its consumer electronic and snap off blade cutters businesses and will focus on the properties investment business.

Business review and prospects

Continuing operation

Properties investment business

The turnover of the Group's properties investment business was HK$5.7 million (2006: HK$2.9 million), a 92.6% increase over last year. The results of this business segment enhanced to HK$15.1 million (2006: HK$2.9 million). The increase was mainly due to the acquisition of properties in Shanghai through the acquisition of Luck Grow Group Limited, gain on disposal and fair value adjustments of investment properties in Shanghai during the year. The properties in Shanghai are properties with aggregate gross floor area of approximately 5,621.69 square meters, located in fast developing area or city centre of Shanghai. For details, please refer to the circular dated 31 October 2006. The Group also disposed of all of its interest in the property in Panyu in the PRC, resulting a gain of HK$9.1 million attributable to the Group. The Group will concentrate on the properties investment business and will actively explore other investment opportunities.

Discontinued operation

Electronic consumer products business

The turnover of the Group's electronic consumer products business was HK$7.2 million (2006: HK$52.5 million) and recorded negative contribution to HK$19.5 million (2006: HK$20.9 million). Considering continuously underperformance of consumer electronic business, the Group terminated it in June 2006.

Snap off blade cutters business

The turnover of the Group's snap off blade cutters business was HK$46.0 million (2006: HK$43.7 million). Adversely affected by an overall increase in material prices and production costs, the negative results of this business segment enhanced to HK$9.6 million (2006: HK$2.4 million). Having considered the loss making track record for the past years, the Group decided to exit the snap off blade cutters business and dispose it. For details, please refer to the circular dated 6 March 2007.

Geographical segment analysis

All of the Group's client base for continuing operations are in the PRC. The Group's client base for discontinued operations is quite well diversified in terms of geographical locations. There was a high concentration in the Hong Kong market since sales were classified according to the location of direct clients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

Liquidity and financial resources

As at 31 March 2007, the current and non-current liabilities of the Group amounted to HK$5.9 million (2006: HK$84.5 million) and HK$225.8 million (2006: HK$1.5 million), respectively. The previous year's net current liabilities position of HK$60.8 million was changed to net current asset position of HK$2.0 million, which was mainly due to the disposal of discontinued operations which had net current liabilities and subscription of new shares during the year. For details please refer to note 32 to the financial statements.

The Group did not have any bank borrowing as at 31 March 2007 and therefore, the gearing ratio, defined as the percentage of total bank borrowings to shareholders' funds, is nil (2006: 299%).According to the sale and purchase agreement as disclosed in the circular dated 31 October 2006, the promissory notes of HK$157.7 million were not yet issued and are expected to be issued in July 2007 and June 2009.

Most of the Group's continuing business transactions, assets and liabilities are denominated in either Hong Kong dollars and Renminbi. The risk of foreign exchange fluctuation was not significant to the Group as at 31 March 2007.

Investment position and planning

The Group acquired the entire issued share capital of Luck Grow Group Limited in November 2006, whose principal assets are properties in Shanghai. Details of such acquisition are set out in the circular dated 31 October 2006.

The Group does not have any significant investment position in stocks, bonds and other financial derivatives. The Group's exposure to fluctuations in exchange rates is very limited because its assets and liabilities have been well matched in terms of denominations.

Share capital

During the year, the share capital of the Company have the following changes:

Subscription of new shares

(i) On 18 May 2006, the Company entered into a conditional subscription agreement with a subscriber, a third party independent of and not connected with the Company or its connected persons (as defined in the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), for the subscription of 58 million new shares at a price of HK$0.23 per new share under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 29 September 2005.

All conditions of the subscription agreement were fulfilled and the 58 million new shares were issued on 20 June 2006.

(ii) On 1 December 2006, the Company entered into a conditional subscription agreement with ten subscribers, third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules), for the subscription of approximately 69.9 million New Shares at a price of HK$0.38 per new share under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 30 August 2006.

All conditions of the subscription agreement were fulfilled and the approximately 69.9 million New Shares were issued on 29 December 2006.

Post balance sheet event

Capital reorganisation

On 12 April 2007, the Company proposed to effect the capital reorganisation (the "Capital Reorganisation") which involves capital reduction and the share premium reduction. The capital reduction involves a reduction in the nominal value of each existing share, in issue of HK$0.20 by HK$0.19 to HK$0.01. Pursuant to the share premium reduction, the entire amount standing to the credit of the share premium account of the Company will be cancelled. The amount arising from the capital reorganisation will be credited to the contributed surplus account of the Company and part of which will be used to fully eliminate the accumulated deficits of the Company as of 31 December 2006. The Capital Reorganisation was approved by the shareholders at special general meeting on 21 May 2007.

Charges on group's assets

As at 31 March 2007, the investment properties of the Group (being the properties in Shanghai acquired during the year) were pledged to banks to secure credit facilities to the extent of approximately HK$162 million, guarantee to certain independent third parties for working capital funding purpose. No recognition was made because the fair value of such guarantee was insignificant.

Contingent liabilities

The Group

As at 31 March 2007, the Group does not have any contingent liability. As at 31 March 2006, the Group had a contingent liabilities in respect of possible future long services payments to employees of HK$338,000.

The Company

As at 31 March 2007, the Company does not have any contingent liabilities. As at 31 March 2006, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounting to HK$57,469,794.

Acquisition and disposal of subsidiaries

Acquisition of subsidiaries

During the year, the Group acquired all the interest in Luck Grow Group Limited and the sales loan from an independent third party at a consideration of approximately HK$182.5 million. For details, please refer to the circular dated 31 October 2006.

Disposal of subsidiaries

During the year, the Group disposed of all its interest in Asian Field Holdings Corp., a wholly owned subsidiary of the Company, to Mr Chong Sing Yuen, a connected person, at a consideration of approximately HK$1. For details, please refer to the circular dated 6 March 2007.

Apart from the above, there were no acquisition and disposal of subsidiaries and associated companies during the year.

Employees

At 31 March 2007, the Group had approximately 10 and 21 employees in Hong Kong and the PRC, respectively. The remuneration was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The Group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

For the year ended 31 March 2006

Review of results

The Group's turnover was HK\$99.1 million (2005: HK\$70.1 million), representing an increase of 41.2% over the same period of last year. Gross margin fell to gross loss of 4% (2005: gross profit of 8%) due to increase in material prices and production cost. Net loss of the Group was HK\$29.8 million (2005: HK\$19.6 million) and loss per share was HK10.8 cents (2005: HK0.41 cents).

Business review and prospects

Consumer electronics business

The turnover of the Group's electronics business was HK\$52.5 million (2005: HK\$23.6 million), a 122% increase over last year. Adversely affected by an overall increase in material prices and production costs, the electronics business enhances its negative contribution to HK\$15.8 million (2005: HK\$9.1 million).

Subsequent to the balance sheet date, considering continuously underperformance of consumer electronic business, the Group decided to terminate it.

Snap off blade cutter business

The turnover of the Group's cutter business was HK\$43.7 million (2005: HK\$43.1 million), a 1.4% increase over last year. Adversely affected by an overall increase in material prices and production costs, the results of this business segment have a negative contribution of HK\$4.8 million (2005: HK\$3.1 million).

The Group will continue to develop new models and add into the existing product mix in order to improve the result of the business segment. The Group will not eliminate any potential opportunity for the disposal of its major business if appropriate buyer could be seek.

Geographical segment analysis

The Group's client base is quite well diversified in terms of geographical locations. There was a highconcentration in the Hong Kong market since sales were classified according to the location of directclients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

Liquidity and financial resources

As at 31 March 2006, the current and non-current liabilities of the Group amounted to HK$84.5 million (2005: HK$66.4 million as restated) and HK$1.5 million (2005: HK$17.5 million as restated),respectively. The amount of net current liabilities enhances further to HK$60.8 million (2005: HK$26.6 million as restated) mainly due to the increase in the loss incurred during the year and interestbearing borrowings within one year.

During the year, the Group recorded an operating cash outflow of HK$12.6 million (2005: HK$10.8 million outflow) and the gearing ratio, defined as the percentage of total borrowings to shareholders' funds, increase to 299% (2005: 127% as restated).

The Group's financial position will be enhanced after (i) the Group entered into placement agreement with independent third party, which will raise net proceeds of HK$13.24 million subsequent to the balance sheet date; and (ii) subject to the shareholders' approval, the Group proposed to dispose the investment properties and certain land and buildings in Panyu at consideration of RMB75 million, as stated in the announcement dated 17 July 2006.

From the management's point of view, the amount of financial resources available to the Group is adequate. The Group may consider further disposing of its assets if additional financial resources arerequired for operation.

Investment position and planning

All of the Group's investment properties are situated in Northern Industrial Complex, Panyu, Guangdong Province of Mainland China. These investment properties have been rented out for manufacturing, storage and office purposes and have continued to generate a stable stream of income for the Group.

On 8 July 2006, the Group entered into a letter of agreement with an independent third party to dispose of all of its interest in the properties in Panyu in Mainland China, at a consideration of RMB75 million, resulting a gain of approximately RMB4 million attributable to the Group. The proposed disposal is subject to the approval by shareholders at the special general meeting.

The Group does not have any significant investment position in stocks, bonds and other financial derivatives. The Group's exposure to fluctuations in exchange rates is very limited because its assets and liabilities have been well matched in terms of denominations.

Share capital and option

During the year, the share capital and the option of the Company have the following changes:

Consolidation of shares and adjustment to options

A proposal to consolidate 20 issued and un-issued shares of HK$0.01 each into 1 share of HK$0.20 each (the "New Share(s)") (the "Consolidation") was approved by the shareholders of the Company on 4 May 2005. The Consolidation and change in board lot size for trading in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 50,000 shares to 5,000 New Shares became effective on 5 May 2005. Immediately after the Consolidation, the Company had 243,497,885.25 issued New Shares and 1,256,502,114.75 un-issued New Shares.

Before the Consolidation, the Company had outstanding options granted under the share option scheme of the Company to subscribe for a total of 19,300,000 shares at the price of HK$0.01 per share. Immediately after the Consolidation, the number of shares issuable under each outstanding option granted was reduced by 95%, and the exercise price per share was increased from HK$0.01 to HK$0.20. Accordingly, after the Consolidation became effective, the Company had outstanding options to subscribe for a total of 965,000 New Shares at the exercise price of HK$0.20 per New Share.

Subscription of new shares

On 14 July 2005, the Company entered into a conditional subscription agreement with a subscriber, a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules), for the subscription of 48 million New Shares at a price of HK$0.26 per New Share under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 27 August 2004.

All conditions of the subscription agreement were fulfilled and the 48 million New Shares were issued on 29 July 2005.

Post Balance Sheet Events

Subscription of new shares

On 18 May 2006, the Company and an independent subscriber entered into a conditional agreement for the subscription of 58,000,000 new shares of HK$0.2 each at a price of HK$0.23 per share for a total of HK$13,340,000. The net proceeds from the subscription of approximately HK$13.24 million will be used as general working capital. The subscription is being granted of a listing of and permission to deal in the new shares by the Listing Committee of the Stock Exchange of Hong Kong Limited. Details of the subscription have been disclosed in the Company's announcement dated 19 May 2006.

All conditions of the subscription agreement were fulfilled and the 58 million New Shares were issued on 20 June 2006.

Disposal of the property

On 8 July 2006, the Group entered into a letter of agreement with an independent third party to dispose of all of its interest in the property in Panyu in Mainland China, at a consideration of RMB75 million, resulting a gain of approximately RMB4 million attributable to the Group. The proposed disposal is subject to the approval by shareholders at the special general meeting. Details of the transaction have been disclosed in the Company's announcement dated 17 July 2006.

Termination of consumer electronics business

In June 2006, the Group decided to terminate the consumer electronic business due to the continuously underperformance and is in the progress to assess its financial impact.

Charges on group's assets

The Group's investment properties situated in Panyu, Mainland China are all rented out. As at 31 March 2006, all (2005: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

As at 31 March 2006, approximately 94% (2005: 58% as restated) of the Group's land and buildings were pledged to banks to secure credit facilities granted to the Group.

Contingent liabilities

The Group

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK$338,000 (2005: HK$275,000) as at 31 March 2006.

The Company

As at 31 March 2006, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounting to HK$57,469,794 (2005: HK$55,201,866).

Employees

At 31 March 2006, the Group had approximately 650 employees. Most of the employees were working in Northern Industrial Complex, the Group's manufacturing plant in Panyu, Guangdong Province, Mainland China. Employees are remunerated on a performance basis with reference to market practices.

Share option scheme and incentive schemes are adopted to encourage personal commitment of employees to achieve the Group's business goals.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

I. Set out below is the management discussion and analysis on the Main Pacific Group (as defined in Appendix III – A to this circular) for the three years ended 31 December 2008:

Business and financial review

The Main Pacific Group has not commenced any operation and recorded any turnover since its incorporation.

The Main Pacific Group recorded losses before tax of approximately HK$10,382, HK$98,265 and HK$93,763 for the three years ended 31 December 2008, 2007 and 2006 respectively.

The Main Pacific Group recorded losses after tax of approximately HK$10,382, HK$98,265 and HK$93,763 for the three years ended 31 December 2008, 2007 and 2006 respectively.

Liquidity and financial resources

As at 31 December 2008, 2007 and 2006, the Main Pacific Group had no bank borrowing, but with other payables of HK$1,917,149, HK$1,634,418 and HK$1,009,931 respectively. The gearing ratio, expressed as a percentage of total liabilities over total assets, as at 31 December 2008, 2007 and 2006 were approximately 105.02%, 110.59% and 112.70% respectively. The Main Pacific Group had cash and bank balances of approximately HK$113,922, HK$1,010,377 and HK$859,575 as at 31 December 2006, 31 December 2007 and 31 December 2008 respectively. The Main Pacific Group's cash and bank balances were primarily denominated in Hong Kong dollars.

As at 31 December 2008, 2007 and 2006, the Main Pacific Group's net current liabilities were approximately HK$91,723, HK$166,103 and HK$125,136 respectively.

Capital commitment

The Main Pacific Group did not have any capital commitment as at 31 December 2008, 2007 and 2006.

Treasury policies

The Main Pacific Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the last three financial years.

Exchange rate exposure

The Main Pacific Group had no material exchange rate exposure.

Charge of assets

As at 31 December 2006, 2007 and 2008, there was no pledged of assets of the Main Pacific Group.

Employees and remuneration policy

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned.

Acquisition and disposal of subsidiaries

The Main Pacific Group did not have any significant investments, material acquisition and disposals for the last three financial years.

On 3 March 2009, Shanghai Zhuoheng entered into a sale and purchase agreement with independent third parties to acquire 85% equity interest of Shanghai Jiyi. Shanghai Jiyi is an investment holding company and owns 60% shareholding of the Mining Company, being a company incorporated in the PRC with limited liability. The Mining Company holds the Mining License.

Contingent liabilities

The Main Pacific Group did not have any contingent liabilities for the last three financial years.

II. Set out below is the management discussion and analysis on the Shanghai Jiyi Group (as defined in Appendix III-B to this circular) for the three years ended 31 December 2008:

Business and financial review

The Shanghai Jiyi Group has not commenced any operation and recorded any turnover since its incorporation.

The Shanghai Jiyi Group recorded losses before tax of approximately HK$1,550,996, HK$3,040,587 and HK$1,955,164 for each of the three years ended 31 December 2008, 2007 and 2006 respectively.

The Shanghai Jiyi Group recorded losses after tax of approximately HK$1,550,996, HK$3,040,587 and HK$1,955,164 for each of the three years ended 31 December 2008, 2007 and 2006 respectively.

Liquidity and financial resources

As at 31 December 2008, 2007 and 2006, the Shanghai Jiyi Group had no bank borrowing, but with other payables of HK$25,758,231, HK$5,149,309 and HK$5,820,000 respectively. The gearing ratio, expressed as a percentage of total liabilities over total assets, as at 31 December 2008, 2007 and 2006 were approximately 56.58%, 20.80% and 21.44% respectively. The Shanghai Jiyi Group had cash and bank balances of approximately HK$67,288, HK$3,727,437 and HK$2,451,613 as at 31 December 2008, 31 December 2007 and 31 December 2006 respectively. The Target Group's cash and bank balances were primarily denominated in Renminbi.

As at 31 December 2008, 2007 and 2006, the Shanghai Jiyi Group's net current assets were approximately HK$13,095,403, HK$13,286,528 and HK$15,203,748 respectively.

Capital commitment

The Shanghai Jiyi Group did not have any capital commitment as at 31 December 2008, 2007 and 2006.

Treasury policies

The Shanghai Jiyi Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the last three financial years.

Exchange rate exposure

The Shanghai Jiyi Group had no material exchange rate exposure.

Charge of assets

As at 31 December 2006, 2007 and 2008, there was no pledged of assets of the Shanghai Jiyi Group.

Employees and remuneration policy

Remuneration was determined by reference to market terms and the qualifications and experience of the staff concerned.

Acquisition and disposal of subsidiaries

The Shanghai Jiyi Group did not have any significant investments, material acquisition and disposals for the last three financial years.

Contingent liabilities

The Shanghai Jiyi Group did not have any contingent liabilities for the last three financial years.

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation of the market value as at 30 April 2009 of the Mine located in Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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

30 June 2009

The Directors
China Properties Investment Holdings Limited
Room 2001, 20/F
Lippo Centre Tower Two
No. 89 Queensway
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Properties Investment Holdings Limited (referred to as the "Company") for us to provide our opinion on the market value of the copper and molybdenum mine (referred to as the "Mine") located in Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the People's Republic of China (referred to as the "PRC") owned by the Gold Trinity International Limited (referred to as the "Vendor").

This report describes a brief description of the Mine, a brief industry overview and the basis of valuation & assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as "the estimated amount for which an asset 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".

BRIEF DESCRIPTION OF THE MINE

The Mine is located in Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC. The area is under the executive jurisdiction of Jingpeng Zhen, Hexigten Banner. The coordinates of the center of the mining area are: north latitude 43º16’30”– 43º17’00”, east longitude 117º14’30”– 117º16’15”. The permitted mining area is around 1.7259km^2.

The Mine is approximately 20km from Jingpeng Zhen and 265km from Chifeng City. The transportation for the Mine is convenient as the 303 & 306 Highway and the Jitong Railway are next to the site.

The Mine contains mainly copper and molybdenum. Other metals are of low economic values and are ignored in our valuation.

According to a reserve report (referred to as the “Reserve Report”) dated April 2009 prepared by the 江西有色地質勘查二隊 (referred to as the “Technical Advisor”), the estimated resources of copper and molybdenum within the Mine are 18,860 tons of copper (332) and 5,357 tons of molybdenum (332) respectively. The average grades of copper and molybdenum are 1.27% and 0.116% respectively.

The Technical Advisor is one of the segments of Jiangxi Nonferrous Geological Exploration Bureau founded in 1953. The Technical Advisor is a qualified geological institute and has obtained the “地質勘查資質証書” (Cert. No. 36200811100001) that is issued by the Land and Resources Department of the Chinese Government. Based on the above, we consider that the qualification of the Technical Advisor is satisfactory.

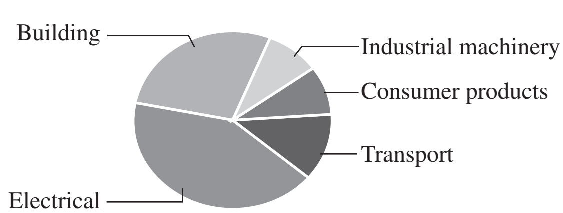
BRIEF INDUSTRY OVERVIEW

Copper

Of all the materials used by humans, copper has had one of the most profound effects on the development of civilization. For industrial consumption, the electrical and building related industries consume 60% of the copper produced globally.

Figure 1 - Global Copper Industry Structure

Industrial Consumption



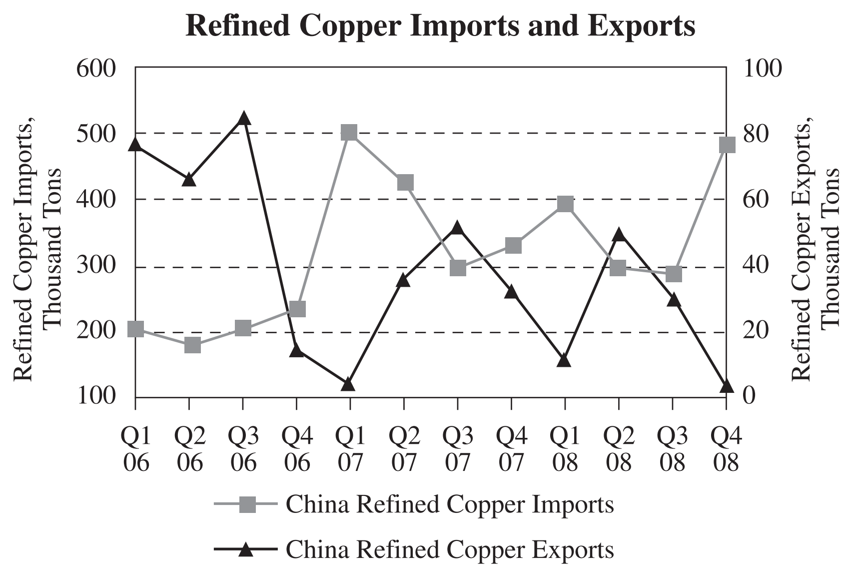
Industry	%
Electrical	42
Building	28
Transport	12
Consumer products	9
Industrial machinery	9
Total	100

Source: Standard CIB Global research

Copper price fell around 66% from the peak last year and rebounded to around US$4,500 per tonne in May 2009.

According to the International Copper Study Group, the global consumption of refined copper in 2008 was 18,109,000 tons. World refined copper usage increased by 2.2% (387,000 tons) in 2008 compared with the usage in 2007. Such growth was mainly driven by China. Without China, world usage actually decreased by 2% mainly impacted by depressed usage in the other three major consuming regions, the 15 countries in European Union, Japan, and the United States.

Figure 2 - China Refined Copper Imports & Exports



Source: International Copper Study Group, ICSG Secretariat Briefing Paper, April 2009

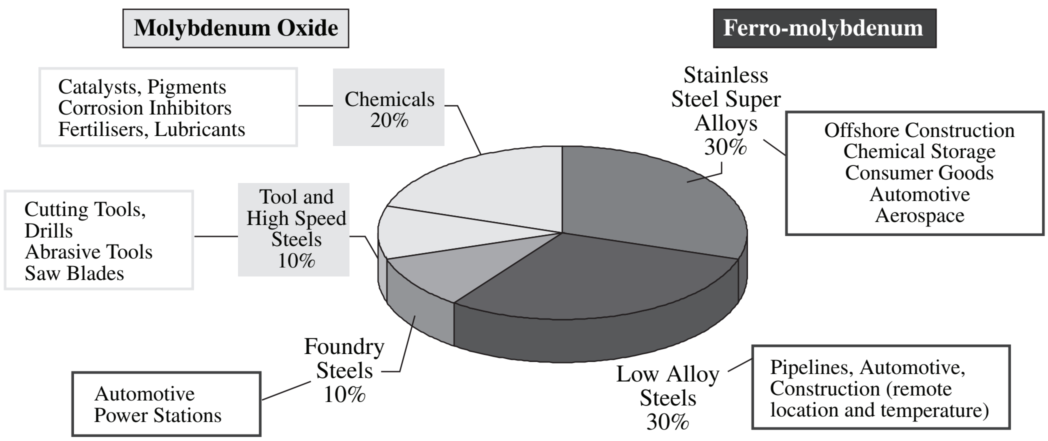
The export of China's refined copper export dropped to around zero but the import increased around 480,000 tons in the third quarter of 2008.

Total world refined copper production in 2008 was 18,472,000 tons, up by 2.6% (465,000 tons) compared with that in 2007. China was the biggest contributor to the growth (9.4%) due to the expansion of its copper refinery capacity. Productions dropped in several countries including India, Japan, South Korea and the United States, where outputs were affected by operational failures, adverse weather conditions and maintenance shutdowns.

Molybdenum

The iron and steel industry consumes 75% of the molybdenum produced globally. Molybdenum is primarily used as an alloying element in steel, cast iron and nonferrous metals. Figure 3 details the global molybdenum industry structure.

Figure 3 – Global Molybdenum Industry Structure



Source: Molybdenum Market Overview – Vital Metals Limited

Currently, production of steel is one of the main drivers of molybdenum demand growth. This is because the application environments for steel are becoming more and more demanding. At the same time, substitutes of molybdenum for the improvement of steel performance are limited. The accelerating industrialization of emerging countries has also greatly increased the overall demand for steel. In general, the growth of world molybdenum consumption heavily depends on the global economic situation and corresponding GDP growth.

Global production of molybdenum is basically controlled by a number of countries including Chile, USA and China. These three countries produce approximately 75% of all output and are the major influence on world markets. With the largest known reserves, a rapidly increasing domestic market and a significant cost advantage over western producers, China has evolved over the past decade as one of the largest and most cost effective producers of molybdenum.

The global supply of molybdenum in 2008 was 224,300 tons, a rise of 5.3% compared with 213,000 tons of 2007. But the Chile output decreased significantly by 25% in 2008, reaching 33,503 tons, which was mainly attributed to the drop of production of mines and lower grade of ores. In the first half of 2008, the molybdenum market was relatively strong with the price higher than US$30/pound, because Chile and China reduced their supplies. In the last season the financial crises broke out and supply-demand relations of molybdenum interrupted with the rapid increase in inventories, making the market a buyer's one in short time.

As far as demand is concerned, the U.S. consumption of molybdenum in 2008 was 35,000 tons, making a decline of 6.6% compared with that of 2007. Europe and Japan consumed 59,600 and 30,000 tons, decrease by 5.4% and 2.8% respectively.

The domestic demand for molybdenum in China reached 50,000 tons in 2008, compared with 40,000 tons in 2007. The growth rate was 25%, substantially lower than 57% in 2007. Nevertheless, because of the sharp decline in exportation, the surplus in supply was more than 10,000 tons in the end of 2008, exerting strong pressures upon 2009 market.

Because of the ongoing tight control imposed by the Chinese government on ferroalloy exportation, combined with global economic depression resulted from financial crises, the 2009 molybdenum market is believed to be stagnant; molybdenum price is expected to be lower than US$12/pound. At same time, the global supply of molybdenum will fall dramatically; all the major mines on the world lower their output expectation; many ongoing mine projects are suspended. If global industry recovers obviously in 2009, the molybdenum price will rise significantly, although the chance is expected to be rather slim.

Because the international molybdenum price is lower than the cost of most Chinese mines, China is expected to change its role from importer to exporter in 2009. China's molybdenum exportation is believed to be minor until international molybdenum price rebound to US$10-11/pound. But comparatively, China and India will be the major parts for world molybdenum consumption.

Although steel exportation is expected to fall dramatically, Chinese molybdenum market will remain relatively stable compared with western markets. The indispensable demands from domestic side and government investment plan help to keep the molybdenum demand roughly as 60% as that of 2008.

The molybdenum exportation for China is expected to be stagnant in 2009. It is highly possible that the annual exportation will be lower than 1,000 tons, less than monthly exportation of past years. Because of long-term agreements with foreign traders, molybdenum oxide exportation will be comparatively bigger in volume, but the decrease rate is still obvious. Molybdate and molybdenum products exportation are anticipated to decline by more than 50%.

SOURCE OF INFORMATION

For the purpose of our valuation, we were furnished with the Reserve Report and the feasibility report dated June 2009 (referred to as the "Feasibility Report"). The Feasibility Report was prepared by Dr. Herman C.M. Tso of WBB Engineering Consultants (referred to as the "Technical Consultant"), an independent qualified consultant engaged by the Company and whose qualifications are satisfied by us.

The valuation of the Mine required consideration of all pertinent factors affecting the economic benefits of the Mine and its abilities to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The business nature of Mine;
- The financial and operational information related to the Mine;
- The specific economic environment and competition for the market in which the Mine is exposed to;
- Market-derived investment returns of entities engaged in similar lines of business;
- The financial and business risks related to the Mine, including the continuity of income and the projected future results;
- The Reserve Report indicating the amount of resource within the Mine; and
- The Feasibility Report indicating the expected production schedule, production process, revenue and related costs involved in the operation of the Mine.

SCOPE OF WORKS

In the course of our valuation work for the Mine, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions contained in the Reserve Report and the Feasibility Report:

- Interviewed with the executive directors and senior management of the Company, the Technical Consultant and the Vendor;
- Performed site investigation of the Mine in April 2009:
- Obtained all relevant financial and operational information of the Mine;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information related to the Mine, which were contained in the Reserve Report and the Feasibility Report and discussed those basis and assumptions we are uncertain of with the Technical Consultant;
- Prepared a business financial model using the most appropriate parameters we considered to derive the indicated value of the Mine; and
- Presented all relevant information on a brief description of the Mine, valuation methodology, source of information, scope of works, major assumptions, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Due to the changing environment in which the Mine is exposed to, a number of assumptions had to be established in order to sufficiently support our concluded opinion of value of the Mine. The major assumptions adopted in our valuation were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Mine is currently exposed to or will be exposed to, which will materially affect the revenue attributable to the Mine;
- The Mine will be operated normally and no unforeseeable circumstances will happen during the business financial model period;
- There will be no major changes in the current taxation law in the jurisdiction where the Mine is currently exposed to or will be exposed to, which will materially affect the revenue attributable to the Mine, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- The financial projection in respect of the Mine was prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful consideration by us with the acceptance of the executive directors and senior management of the Company;
- Economic conditions will not deviate significantly from economic forecasts;
- Only the values of copper and molybdenum are considered in our valuation;
- All relevant legal licenses, rights and permissions for the operation of the Mine have been/and will be obtained and they will be renewed automatically with minimal costs;
- Authorized ore production quota per year can be changed as soon as the Mine applies for such a change from relevant authority(ies) in China;
- No debt has been used for financing of the operation of the Mine and sufficient funding can be obtained for the Mine before commenced in operation;
- The prices of copper and molybdenum used in the projections are 5-year historical average prices and such figures are assumed to be good proxies of the future average prices of copper and molybdenum;
- Copper and molybdenum from the Mine will be completely sold in the China domestic market;

- The amount of resource stated in the Reserve Report is true and accurate;
- No delay in the development and production schedule of the Mine; and
- The expected mining method, production schedule, operating costs and capital costs projected in the Feasibility Report are fair and reasonable and will be closely matched with the business financial model of the Mine.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the Mine. They were the market approach, the cost approach and the income approach.

The market approach provides indications of value by comparing the subject to similar assets that have been sold in the market.

The cost approach provides indications of value by studying the amounts required to recreate the asset for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the asset.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

We considered that the market approach was not appropriate to value the Mine, as there are insufficient comparable transactions in the market. The cost approach was also regarded not adequate in this valuation, as this approach does not take future growth potential of the Mine into consideration. Thus, we determined that the income approach was the most appropriate valuation approach for this valuation in accordance with the Hong Kong Accounting Standards.

The advantage of using income approach is that the future benefits generated by the Mine can be captured while the disadvantage is that sometimes there are controversies on determining the future economic benefits and an appropriate discount rate.

In the valuation, we applied the income approach also known as the discounted cash flow (DCF) method. We determined the market value by applying a discount rate (the cost of capital) in the DCF model to determine the net present value of the Mine' future expected cash flows. The expected cash flows were determined from the net profits after tax.

Based on the estimation made in the Feasibility Report, the expected production schedule after incurring all future construction cost of the Mine would be as follows:

Items	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Ore Production (kt)	250	495	785	785	785	785	785	785	668
Ore Recovery Rate (%)	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0
Final Products Production									
Copper Concentrate (t)	639	1,266	2,007	2,007	2,007	2,007	2,007	2,007	1,707
Ferro Molybdenum (t)	279	553	877	877	877	877	877	877	746

Note: The copper concentrate has a metal concentration of 99.97% and the Ferro Molybdenum has a molybdenum concentration of 65%. The total metal content available for sale would be 15,650 tons of copper and 4,660 tons of molybdenum respectively,

Weighted Average Cost of Capital (WACC) was adopted as the discount rate for the valuation. WACC comprises of two components: cost of equity and cost of debt.

Cost of equity takes into account two different types of risks – systematic risks and nonsystematic risks. Risks that are correlated with the return from the stock market are referred to as systematic risks. Other risks that are company-specific are referred to as nonsystematic risks. We determined the rate of return for systematic risks based on the Capital Asset Pricing Model ("CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks but provides no excess return for non-systematic risks. Under the CAPM, the appropriate rate of return is the sum of the risk-free rate and a related beta times the market risk premium. The CAPM is computed using the following formula (for illustration purpose):

$$Kc = Rf + ß (Km – Rf)$$

Where:

Kc	= the expected return on capital
Rf	= the risk-free rate
ß	= the sensitivity of the firm's return to the market return
Km	= the expected return of the market
Km – Rf	= the market risk premium

In respect of nonsystematic risks, we have considered the size difference and the country difference (company-specific risks) between the Mine and the selected comparable companies and determined the size premium (with reference to "Risk Premia over Time Report: 2008", published by Ibbotson Associates) and the country risk premium (with reference to "Country Default Spreads and Risk Premiums 2009", made by Aswath Damodaran). As a result, the cost of equity for the Mine was calculated as 11.10%.

During our selection of comparable companies, only the listed companies that satisfied the following criteria are adopted: i) the sales generated from molybdenum ore mining and smelting is larger than 75%; ii) the stock of the company is actively traded; and iii) the business is operating in emerging market countries. To the best of our knowledge, we considered the selected comparable companies were exhaustive and representative samples.

Cost of debt of 4.46% was determined by the lending rate of 5.94% adjusted by the corporate tax rate of China of 25%. Since no debt has been used for financing at the early stage of operation of the Mine, the WACC actually equals to the cost of equity.

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily an asset can be converted into cash if the owner chooses to sell it. The discount for lack of marketability (referred to as the "DLOM") reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company. In our valuation, 30% has been used as the discount for lack of marketability (with reference to "Why Is the Value of Minority Stock Discounted So Heavily", by LarSenAllen).

However, the interest under consideration is the controlling interest of the Mine. Controlling interest in an assetany means to have control of a large enough block of voting shares such that no one stock holder or coalition of stock holders can successfully oppose a motion. In most cases, a controlling interest is far more marketable than a minority interest and therefore offsets the liquidity problem of a privately held asset. In our valuation, 30% has been used as the control premium (with reference to "Why Is the Value of Minority Stock Discounted So Heavily", by LarsenAllen).

The final market value of the Mine is calculated as:

Indicated market value of the Mine x (1 – marketability discount) x (1 + control premium)

VALUATION COMMENTS

For the purpose of our valuation and in arriving at our opinion of value, we referred to the information contained in the Reserve Report and the Feasibility Report to estimate the value of the Mine. We have also sought and received confirmation from the Company that no material facts were omitted from the information supplied.

We have also performed various due diligence works as mentioned in the section "Scope of Work" above.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$).

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Vendor or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the Mine as at 30 April 2009 was **HK$820,000,000 (HONG KONG DOLLARS EIGHT HUNDRED AND TWENTY MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, the Vendor, the Mine or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Marco T. C. Sze
B.Eng(Hon), PGD(Eng), MBA(Acct), CFA, AICPA/ABV, RBV
Director

Dr. Tony C. H. Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ), MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Notes:

1. Mr. Marco Sze holds a Master's Degree of Business Administration in Accountancy from the City University of New York – Baruch College and is a holder of Chartered Financial Analyst. He is also a member of American Institute of Certified Public Accountants (AICPA) and is accredited in Business Valuation by the AICPA. Besides, he is a Registered Business Valuer registered with the Hong Kong Business Valuation Forum. He has more than 3 years' experience in valuing similar assets or companies engaged in similar business activities as that of the Mine in Hong Kong, China and the Asia-Pacific Region.

2. Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 5 years' experience in valuing similar assets or companies engaged in similar business activities as that of the Mine worldwide.

Set out below are texts of the reports form Guangdong Securities Limited and CCIF CPA Limited in connection with the cash flow forecast underlying the Valuation and prepared for the purpose of inclusion in this circular.

A. REPORT FROM GUANGDONG SECURITIES LIMITED

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

The Board of Directors
China Properties Investment Holdings Limited
Room 2001, 20/F.
Lippo Centre, Tower Two
89 Queensway
Hong Kong

30 June 2009

Dear Sirs,

Terms used in this letter have the same meanings as defined elsewhere in the circular dated 30 June 2009 (the "**Circular**"), of which this letter forms part, unless the context requires otherwise. We refer to the valuation dated 30 April 2009 prepared by the Valuer in relation to the appraisal of the market value of the Mine. As stated in the valuation report from the Valuer set out in Appendix VI to the Circular, the Valuation has been arrived at based on the income approach, which takes into account the cash flow projection of the Mine for the period from 2010 to 2018 (the "**Projection**").

We have reviewed the Projection and other relevant information and documents which you as the Directors are solely responsible and discussed with you and the Valuer the information and documents provided by you which formed part of the bases and assumptions upon which the Projection has been made. In addition, we have considered, and relied upon, the report addressed to the Board from CCIF CPA Limited as set out in Appendix VII to the Circular regarding the accounting policies and calculations upon which the Projection has been made.

On the basis of the foregoing, we are of the opinion that the Projection, for which the Directors are solely responsible, has been prepared after due and careful enquiry.

Yours faithfully
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

B. REPORT FROM CCIF CPA LIMITED

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

The Board of Directors
China Properties Investment Holdings Limited
Room 2001, 20/F
Lippo Centre, Tower Two
89 Queensway
Hong Kong

30 June 2009

Dear Sirs,

Re: China Properties Investment Holdings Limited (the "Company")

We have examined the arithmetical accuracy of the calculations of the valuation report for the mining right in Mongolia (the "Mine") dated 30 June 2009 (the "Valuation Report") prepared by BMI Appraisals Limited (the "Valuer"). The Valuation Report is regarded as a profit forecast under paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Valuation Report is set out in Appendix VI of the circular of the Company dated 30 June 2009 (the "Circular") in connection with the very substantial acquisition of the molybdenum mining subsidiary.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY, THE VALUER AND THE AUDITORS OF THE COMPANY

The Valuer is solely responsible for the preparation of the Valuation Report while the Valuer and the directors of the Company are responsible for the reasonableness and validity of the assumptions based on which the Valuation Report is prepared (the "Assumptions").

It is our responsibility to form an opinion, based on our work on the arithmetical accuracy of the calculation of the Valuation Report and to report our opinion solely to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising our of, or in connection with our work.

We were informed by the directors of the Company that as the valuation is discounted cash flow model, the Company's accounting policies are not applicable to the preparation of the Valuation Report. The Assumptions include hypothetical assumptions about future events as details in Appendix VI to the Circular and management actions that cannot be confirmed and verified in the same way as past results, and these assumptions may or may nor occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation Report and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under the Auditing guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Valuation, so far as the calculations are concerned, has been properly compiled and for no other purpose. Our work does not constitute any valuation of the Mine.

OPINION

Based on the foregoing, in our opinion, the Valuation, so far the calculations are concerned, has been properly compiled in accordance with the based and assumptions made by the Valuer and the directors of the Company as set out in Appendix VI to the Circular dated 30 June 2009.

Yours faithfully
For and on behalf of
CCIF CPA Limited

Alvin Yeung
Director

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Castores Magi (Hong Kong) Limited, an independent valuer, in connection with its valuation as at 30th April, 2009 of the properties held by the Enlarged Group.

嘉漫(香港)有限公司
CASTORES MAGI (HONG KONG) LIMITED
REGISTERED PROFESSIONAL SURVEYORS
REAL ESTATE, MINERALS, MACHINERY & EQUIPMENT AND BUSINESS VALUERS

CASTORES
MAGI

Suite 211
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

30th June, 2009

The Directors
China Properties Investment Holdings Limited
Room 2001, 20th Floor,
Lippo Centre,
Tower Two,
89 Queensway,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which China Properties Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") have interest, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the relevant properties as at 30th April, 2009 (the "date of valuation").

Our valuations of the property interests are our opinion of the Market Value which we would define as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion." Market value is understood as the value of an asset estimate without regard to costs of sale or purchase and without offset for any associated taxes.

Our valuations of the property interests have been made on the assumption that the owner sells the properties on the market in their existing state without the benefit of a deferred term contracts, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the properties.

The property interests have been valued on a market basis by reference to comparable market transactions. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar property, subject to allowances for variable factors.

In valuing the property interests, we have adopted the basis of valuation and have made the valuation assumptions in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

In valuing the properties in the PRC, we have complied with all the requirements contained in the Chapter 5 and Practice Note.12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Document/Approval	**Property 1**	**Property 2**	**Property 3**	**Property 4**
Certificate of Real Estate Ownership	Yes	Yes	Yes	Yes
Certificate of Registration of Real Estate of Shanghai Municipality	Yes	Yes	No	No

In valuing the property interests which are held by the Group for investment, we have adopted the investment approach by capitalizing the net rental incomes receivable from the existing tenancies and the reversionary rental income potential.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the area in respect of the properties but have assumed that the site area shown on the documents and official site plans handed to us are correct. Based on our valuation experience of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurements have been taken.

We have inspected the properties included in the attached valuation certificate, in respect of which we have been provided with such information, as we have required for the purpose of our valuations. However, no site surveys, investigations or examinations have been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

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

We have been shown copies of various documents relating to the properties. However, we have not searched the original documents to verify any amendments, which may not appear on the copies handed to us. Due to restrictions of the land registration system in the People's Republic of China (the "PRC"), we are unable to search the original documents to verify the existing title of the properties in the PRC or any material encumbrances that might be attached to the properties.

The scope of valuations has been determined with reference to the property list provided by the Company. The properties on the list have been included in this valuation certificate.

We have had no reason to doubt the authenticity and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts stated in this valuation certificates are in Hong Kong Dollar. The exchange rate adopted in our valuations of the property interests is the exchange rate prevailing as at the date of valuation being HK$1=RMB0.88 and there has been no significant fluctuation in the exchange rate between the date of valuation and the date of this letter.

The conclusion of values is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the valuation, you are urged to consider carefully the nature of such assumptions, which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interest in the Company or the value reported.

Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
Castores Magi (Hong Kong) Limited
Deret Au Chi Chung
Member of China Institute of Real Estate Appraisers and Agents
Registered Business Valuer of Hong Kong Business Valuation Forum
B.Sc. MRICS MHKIS RPS MCIArb AHKIArb
Director

Note: Deret Au Chi Chung is a Registered Professional Surveyor and has over 16 years of experience in valuing the properties in Hong Kong and the properties of private and state-owned enterprises in over 100 towns and cities in the PRC. He also possesses over 10 years of valuation experience in the Asia-Pacific region. His name is included on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers set forth by the Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Property interests held by the Group for investment in the PRC

	Property	Capital value in Existing state as at 30th April, 2009 *(HK$)*
1.	Unit Nos. 201 and 202 on Mezzanine Level and Advertising Space, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	69,536,000
2.	Whole of Basement Level One and Ground Level, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, The PRC.	54,613,000
3.	Whole of Levels 1 and 2 and Advertising Space, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	67,773,000
4.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	38,032,000
	Total:	229,954,000

VALUATION CERTIFICATE

Property interests held by the Group for investment in PRC

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 30th April, 2009 *(HK$)*
1.	Unit Nos. 201 and 202 on Mezzanine Level and Advertising Space, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	The property comprises two commercial units on Mezzanine Level and advertising space of a 25-storey commercial building, which was completed in 1999. The property has a total gross floor area of 1,889.36 sq.m. and its break down is set out as follows: **Unit** — **Gross Floor Area** 201 — 1,515.97 sq.m. 202 — 373.39 sq.m. The property is held under the land use rights for a term commencing from 5th November, 2004 to 21st October, 2044.	The property is currently rented to a third party. *(see Note 3 for details)*	69,536,000

Notes:

1. Unit 201 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No. 038951 (上海市房地產權証 – 滬房地徐字(2004)第038951號) dated 5th November, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited).

2. Unit 202 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Xu Zi (2004) No. 038949 (上海市房地產權証－滬房地徐字(2004)第038949號) dated 8th November, 2004 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited).

3. Pursuant to a Leasing Contract and a Supplementary Agreement dated 22nd July, 2005 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) and 上海泰和廣告有限公司 (Shanghai Taihe Advertising Co., Ltd.) and a letter dated August, 2006 issued by 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), the former party agreed leasing Unit Nos. 201 and 202 on Mezzanine Level and portion of Level 1 of Yun Hai Building to the latter party for a term commencing from 22nd July, 2005 to 31st December, 2010. The rental income attributable to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) for the first 24 months is RMB252,907.55. Commencing from the end of the first 24 months, the property is subject to a rental upwards adjustment of 5.5% in every two years.

   The rental income allocation ratio between the property and portion of Level 1 of Yun Hai Building is 65% and 35%, respectively.

4. Unit Nos. 201 and 202 of the property are subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Xu 200604010699 (他項權利(抵押) – 徐200604010699) registered on 23rd June, 2006.

5. It is stated in the legal opinion given by the Company's PRC legal advisers, inter alia that:

   (a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

   (b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property and has fully settled the acquisition payment. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government and paying additional land premium;

   (c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property; and

   (d) The property is subject to the following lawful and valid Real Estate Mortgage Contracts (房地產抵押合同):

      (i) Pursuant to a Real Estate Mortgage Contract - DB212070153 (房地產抵押合同 - DB212070153) dated 7th July, 2007 made between Shanghai Bank, Jingan Sub-Branch (上海銀行靜安支行) and 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), the property was mortgaged to the former party as loan security for a term commencing from 11th July, 2007 to 11th July, 2017 at a loan amount of RMB 100,000,000; and

      (ii) The aforesaid Real Estate Mortgage Contract (房地產抵押合同) has been registered at Shanghai Real Estate Registry, Xuhui District (上海市徐匯區房地產登記處) on 11th July, 2007 under Registration Identification No.Xu 200704012699 (登記証明號 - 徐200704012699).

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 30th April, 2009 *(HK$)*
2.	Whole of Basement Level One and Ground Level, Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, The PRC.	The property comprises whole of Basement Level and Ground Level of a 5-storey (plus one basement level) commercial building, which was completed in 1997. The property has a total gross floor area of 3,732.33 sq.m. The property is held under the land use rights for a term commencing from 30th June, 2005 to 29th June, 2045.	The property is currently rented to a third party. *(see Note 3 for details).*	54,613,000

Notes:

1. Basement Level One of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Pu Zi (2005) No. 032997 (上海市房地產權証－滬房地普字(2005)第032997號) dated 8th July, 2005 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited).

2. Ground Level of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Pu Zi (2005) No. 033005 (上海市房地產權証－滬房地普字(2005)第0330059號) dated 8th July, 2005 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) granted to 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited).

3. Pursuant to Leasing Contract dated 19th August, 2005 made between 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) ("Party A")、上海悦軒企業發展有限公司("Party B") 上海茂宸實業有限公司 ("Party C") and 上海帝賦苑餐飲娛樂管理有限公司 ("Party D"), the former three parties agreed leasing the whole 6 levels of building (including the Basement Level) located at Nos. 277 and 289, Lan Xi Road, Putuo District, Shanghai to the latter party for a term commencing from 29th July, 2005 to 31st March, 2015 at a monthly rental of RMB541,667 for the period commencing from 29th July, 2005 to 31st March. 2006, an annual rental of RMB6,500,000 for the second year commencing from 1st April, 2006 to 31st March, 2007 and subsequent annual rental increment of RMB200,000 thereafter until the lease expiration date.

4. Pursuant to a Rent Agreement (租金協議) dated 25th December. 2005 made among Party A, Party B and Party C, Parties A, B and C are attributable to the monthly rental income of RMB270,000, RMB150,000 and RMB121,667, respectively, commencing from January, 2006.

5. Pursuant to a Rent Agreement (租金協議) dated 17th August. 2006 made among Party A, Party B and Party C, Parties A, B and C are attributable to the monthly rental income at the percentages of 55.4%, 27.7% and 16.9%, respectively, commencing from 1st January, 2007 to 31st March, 2015.

6. The property is subject to a Certificate of Registration of Real Estate of Shanghai Municipality (上海市房地產登記証明) pertaining to the Miscellaneous Rights (Mortgage) – Xu 200507031948 (他項權利(抵押) – 徐200507031948) registered on 27th July, 2005.

7. Pursuant to a letter dated 20th March, 2009 issued by 上海祥宸行置業有限公司, the advertising space of the property was demolished by virtue of safety consideration and reduction of maintenance costs.

8. It is stated in legal opinion given by the Company's PRC legal advisers, inter alia that:

   (a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

   (b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property and has fully settled the acquisition payment. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government and paying additional land premium;

   (c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property;

   (d) Pursuant to a Real Estate Mortgage Contract – DB212070153 (房地產抵押合同 – DB212070153) dated 7th July, 2007 made between Shanghai Bank, Jingan Sub-Branch (上海銀行靜安支行) and上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited), the property was mortgaged to the former party as loan security for a term commencing from 11th July, 2007 to 11th July, 2017 at a loan amount of RMB 100,000,000; and

   (e) The aforesaid Real Estate Mortgage Contract (房地產抵押合同) has been registered at Shanghai Real Estate Registry, Putuo District (上海市普陀區房地產登記處) on 25th July, 2007 under Registration Identification No.Pu 200707020673 (登記証明號－普200707020673).

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 30th April, 2009 *(HK$)*
3.	Whole of Levels 1 and 2 and Advertising Space, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	The property comprises whole of two commercial floors on Levels 1 and 2 of a 26-storey commercial building, which was completed in 1997. The property has a total gross floor area of 2,352.14 sq.m. and its breakdown is set out as follows: **Level** — **Gross Floor Area** Level 1 — 1,238.57 sq.m. Level 2 — 1,113.57 sq.m. The property is held under the land use rights for a term commencing from 26th October, 1997 to 25th October, 2047.	The property is currently leased to various tenants *(see Notes 5-6 for details).*	67,773,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 and 上海祥宸行置業有限公司, the latter party agreed to acquire Level 1 of the property at a consideration of RMB43,000,000.

2. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 and 上海祥宸行置業有限公司, the latter party agreed to acquire Level 2 of the property at a consideration of RMB40,771,308.2.

3. Level 1 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005053 (上海市房地產權証 – 滬房地靜字(2007)第005053號) dated 2nd November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司.

4. Level 2 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005054 (上海市房地產權証 – 滬房地靜字(2007)第005054號) dated 2nd November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司.

5. Pursuant to a Shanghai Municipality Building Pre-Lease Contract of Commadity Flat (上海市房屋租賃商品房預租合同) and the supplementary clauses dated 1st September, 2007 made between 上海祥宸行置業有限公司 and 上海靜安區始美秋子浴室, the latter party agreed to rent Unit A on Level 1, Unit A on Level 2 and Unit A on Level 3 having a total lettable area of 1,204.27 sq.m., from the former party for a term commencing from 1st November, 2007 to 29th February, 2016. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 29th February, 2008	108,000
From 1st March, 2008 to 28th February, 2009	111,240
From 1st March, 2009 to 28th February, 2010	114,580
From 1st March, 2010 to 28th February, 2011	118,020
From 1st March, 2011 to 29th February, 2012	121,560
From 1st March, 2012 to 28th February, 2013	125,210
From 1st March, 2013 to 28th February, 2014	128,970
From 1st March, 2014 to 28th February, 2015	132,840
From 1st March, 2015 to 29th February, 2016	136,830

The rental payments are exclusive of water, electricity, gas, tele-communication, management fee, air-conditioning, and car-parking charges and other outgoings.

6. Pursuant to a Shanghai Municipality Building Pre-Lease Contract and the supplementary clauses dated 18th December, 2007 made between 上海祥宸行置業有限公司 and 上海豪宴樓餐飲管理有限公司, the latter party agreed to rent portion of Levels 1 to 4 having a total lettable area of 3,910 sq.m., from the former party as restaurant for a term commencing from 1st November, 2007 to 4th April, 2017. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 4th April, 2008	458,333.30
From 5th April, 2008 to 4th April, 2009	472,083.29
From 5th April, 2009 to 4th April, 2010	486,245.79
From 5th April, 2010 to 4th April, 2011	500,833.16
From 5th April, 2011 to 4th April, 2012	515,858.17
From 5th April, 2012 to 4th April, 2013	531,333.91
From 5th April, 2013 to 4th April, 2014	547,273.93
From 5th April, 2014 to 4th April, 2015	563,692.15
From 5th April, 2015 to 4th April, 2016	580,602.91
From 5th April, 2016 to 4th April, 2017	598,020.99

The rental payments are exclusive of management fee, water, electricity, gas and air-conditioning charges during non-business hours, tele-communication and car-parking charges and other outgoings.

7. It is stated in legal opinion given by the Company's PRC legal advisers, inter alia that:

(a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

(b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property and has fully settled the acquisition payment. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government and paying additional land premium; and

(c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property.

	Property	Description and tenure	Particulars of tenancy	Capital value in existing state as at 30th April, 2009 *(HK$)*
4.	Whole of Levels 3 and 4 Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	The property comprises whole of two commercial floors on Levels 3 and 4 of a 26-storey commercial building, which was completed in 1997. The property has a total gross floor area of 2,762.13 sq.m. and its breakdown is set out as follows: **Level** — **Gross Floor Area** Level 3 — 1,346.60 sq.m. Level 4 — 1,415.53 sq.m. The property is held under the land use rights for a term commencing from 26th October, 1997 to 25th October, 2047.	The property is currently leased to various tenants *(see Notes 5-6 for details).*	38,032,000

Notes:

1. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 and 上海祥宸行置業有限公司, the latter party agreed to acquire Level 3 of the property at a consideration of RMB20,000,000.

2. Pursuant to a Shanghai Municipality Real Estate Sales and Purchases Contract (上海市房地產買賣合同) made between 上海錫武實業有限公司 and 上海祥宸行置業有限公司, the latter party agreed to acquire Level 4 of the property at a consideration of RMB21,397,964.

3. Level 3 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005244 (上海市房地產權証 – 滬房地靜字(2007)第005244號) dated 14th November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司.

4. Level 4 of the property is subject to a Shanghai Certificate of Real Estate Ownership – Hu Fang Di Jing Zi (2007) No. 005243 (上海市房地產權証 – 滬房地靜字(2007)第005243號) dated 14th November, 2007 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) to 上海祥宸行置業有限公司.

5. Pursuant to a Shanghai Municipality Building Pre-Lease Contract of Commadity Flat (上海市房屋租賃商品房預租合同) and the supplementary clauses dated 1st September, 2007 made between 上海祥宸行置業有限公司 and 上海靜安區始美秋子浴室, the latter party agreed to rent Unit A on Level 1, Unit A on Level 2 and Unit A on Level 3 having a total lettable area of 1,204.27 sq.m., from the former party for a term commencing from 1st November, 2007 to 29th February, 2016. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 29th February, 2008	108,000
From 1st March, 2008 to 28th February, 2009	111,240
From 1st March, 2009 to 28th February, 2010	114,580
From 1st March, 2010 to 28th February, 2011	118,020
From 1st March, 2011 to 29th February, 2012	121,560
From 1st March, 2012 to 28th February, 2013	125,210
From 1st March, 2013 to 28th February, 2014	128,970
From 1st March, 2014 to 28th February, 2015	132,840
From 1st March, 2015 to 29th February, 2016	136,830

The rental payments are exclusive of water, electricity, gas, tele-communication, management fee, air-conditioning, and car-parking charges and other outgoings.

6. Pursuant to a Shanghai Municipality Building Pre-Lease Contract and the supplementary clauses dated 18th December, 2007 made between 上海祥宸行置業有限公司 and 上海豪宴樓餐飲管理有限公司, the latter party agreed to rent portion of Levels 1 to 4 having a total lettable area of 3,910 sq.m., from the former party as restaurant for a term commencing from 1st November, 2007 to 4th April, 2017. The monthly rent of the property is tabulated as follows:

Period	**Monthly Rent** *(RMB)*
From 1st November, 2007 to 4th April, 2008	458,333.30
From 5th April, 2008 to 4th April, 2009	472,083.29
From 5th April, 2009 to 4th April, 2010	486,245.79
From 5th April, 2010 to 4th April, 2011	500,833.16
From 5th April, 2011 to 4th April, 2012	515,858.17
From 5th April, 2012 to 4th April, 2013	531,333.91
From 5th April, 2013 to 4th April, 2014	547,273.93
From 5th April, 2014 to 4th April, 2015	563,692.15
From 5th April, 2015 to 4th April, 2016	580,602.91
From 5th April, 2016 to 4th April, 2017	598,020.99

The rental payments are exclusive of management fee, water, electricity, gas and air-conditioning charges during non-business hours, tele-communication and car-parking charges and other outgoings.

7. It is stated in legal opinion given by the Company's PRC legal advisers, inter alia that:

(a) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) lawfully possesses, occupies and uses the property and has completed the registration and filing procedures with government consent and approval;

(b) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) is the legal titler of the property and has fully settled the acquisition payment. The property could be freely transferred, let and mortgaged to a third property without the consent, approval and permit from the government and paying additional land premium; and

(c) 上海祥宸行置業有限公司 (Shanghai Xiang Chen Hang Place The Industry Co. Limited) has never signed any contracts with any third party restricting the conveyance, mortgage, lease, transference by gift and permission to use of part or whole of the property and abandoning her interest in the property.

RECONCILIATION STATEMENT PURSUANT TO RULE 5.07 OF THE LISTING RULES

The following is a statement reconciling the valuation figures with the figures included in the Company's consolidated balance sheet as at its latest published accounts (i.e. 30 September 2008) pursuant to Rule 5.07 of the Listing Rules.

Reconciliation statements

The properties located in the PRC as at 30 April 2009 have been valued by independent valuer. The test of the letter valuation summary and valuation certificates in connection with the aforesaid property interests are set out in Appendix VIII of this Circular.

The statement below shows the reconciliation of the above property interests from the audited consolidated financial statement of the Company as at 30 September 2008 to 30 April 2009 (the effective date of the valuation):

	HK$'000
Net book value as at 30 September 2008	307,277
Valuation deficit	(77,323)
Valuation as at 30 April 2009 per Appendix VIII	229,954

The Company confirms that there had been no significant changes in the Company's property interest located in PRC since 30 April 2009 (being the effective date of the valuation) up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Enlarged Group. 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

The authorised and issued share capital of the Company as at the Latest Practicable Date and following the Completion were and are expected to be as follows:

Authorised:	*HK$*
3,500,000,000 Shares	35,000,000
Proposed to increase the authorised share capital of the Company to:	
30,000,000,000 Shares	300,000,000
Issued and fully paid:	
2,113,698,191 Shares as at the Latest Practicable Date	21,136,982
1,300,000,000 Conversion Shares to be issued upon the exercise of the Convertible Bonds in full	13,000,000
Total (for illustrative purpose)	
3,413,698,191 Shares	**34,136,982**

All of the Shares in issue and to be issued rank and will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Conversion Shares in issue and to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) 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 contained in the Listing Rules are set out below:

Long positions in shares of the Company

Name of director	Capacity of shares held	No. of shares held	Percentage of issued share capital
Yu Wai Fong	Beneficial owner	512,630,358	24.25%

Long positions in the underlying shares of the share options of the Company

Name of director	Date of grant of the share options	Exercise periods of the share options	Exercise price per share	Number of options shares outstanding	Number of total underlying shares
Yu Wai Fong	28 November 2007	28 November 2007 to 3 October 2012	HK$0.60	17,635,000	17,635,000
Au Tat On	28 November 2007	28 November 2007 to 3 October 2012	HK$0.60	17,635,000	17,635,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO, shown that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Long positions in shares of the Company

Name	Capacity of shares held	No. of shares held	Percentage of issued share capital
Gold Trinity International Limited *(Note 1)*	Beneficial owner	1,300,000,000 *(Note 3)*	61.5%
Han Wei *(Note 2)*	Interest of a control corporation	1,300,000,000 *(Note 3)*	61.5%

Notes:

1. Pursuant to the Sale and Purchase Agreement dated 4 June 2009 entered into among Gold Trinity (as the Vendor), the Company (as the Purchaser) and Mr. Han (as the Guarantor), the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the entire issued share capital of the Target Company at the Consideration of HK$300 million.

   Part of the Consideration of HK$260 million shall be settled by the Company by the issue of the Convertible Bonds within one month upon Completion in accordance with the terms and conditions of the Convertible Bonds attached to the Sale and Purchase Agreement at the Conversion Price of HK$0.20 per Conversion Share (subject to adjustments). The Vendor shall hold 1,300,000,000 Shares in the Company upon full conversion of the Convertible Bonds at the initial Conversion Price. Therefore, the Vendor is taken to be interested in 1,300,000,000 shares of the Company.

2. Gold Trinity is wholly-owned by Mr. Han and Mr. Han is deemed to be interested in the 1,300,000,000 Shares upon full conversion of the Convertible Bonds. Therefore, Mr. Han is taken to be interested in 1,300,000,000 shares of the Company.

3. The Sale and Purchase Agreement (including the issue of the Convertible Bonds) is subject to the Independent Shareholders' approval by way of poll at the SGM.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or the chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 March 2008 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There is no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder).

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The followings are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
CCIF CPA Limited	Certified public accountants
BMI Appraisals Limited	Independent Valuer
Zhejiang Xin Tai Zhou Law Firm (Shanghai Branch)	Legal adviser to the PRC laws
Bridge Partners Capital Limited	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, all the experts above were not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, all the experts above did not, directly or indirectly, had any interest in any assets which had since 31 March 2008 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The Enlarged Group had entered into the following contracts within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

(a) the sale and purchase agreement dated 10 July 2007 between Shanghai Xiang Chen Hang Place The Industry Co. Limited (上海祥宸行置業有限公司) ("**Shanghai Xiang Chen Hang**"), an indirect wholly-owned subsidiary of the Company as purchaser, and Shanghai Xiwu Industry Co., Ltd. (上海錫武實業有限公司) as vendor in relation to the acquisition of the property comprising whole of two commercial floors on Levels 1 and 2 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC at the consideration of HK$86,487,000, further details of which are set out in the announcement of the Company dated 20 July 2007;

(b) the sale and purchase agreement dated 10 July 2007 between Shanghai Xiang Chen Hang as purchaser and Shanghai Chen Xuan Trading Co., Ltd. (上海辰炫貿易有限公司) as vendor in relation to the acquisition of the property comprising whole of two commercial floors on Levels 3 and 4 of Shimei Mansion located at No. 445 Jiangning Road, Jiangan District, Shanghai, the PRC, at the consideration of HK$42,740,000, further details of which are set out in the announcement of the Company dated 20 July 2007;

(c) the sale and purchase agreement dated 10 July 2007 between Shanghai Xiang Chen Hang as purchaser and Shanghai Xu Hui Co., Ltd. (上海續輝物資有限公司) ("**Shanghai Xu Hui**") as vendor in relation to the acquisition of the property comprising whole of two office floors on Levels 14 and 15 of Yun Hai Building located at No. 1329 and 1331, Huai Hai Zhong Road, Xuhui District, Shanghai, the PRC at the consideration of HK$30,871,000, further details of which are set out in the announcement of the Company dated 20 July 2007;

(d) the underwriting agreement dated 24 July 2007 between Profit Key Group Limited and VC Brokerage Limited as underwriters, the Company and Mr. Zhao Qing Ji as guarantor in relation to the underwriting of the issue of 1,258,178,655.75 offer shares at the price of HK$0.17 per share to the qualifying shareholders, further details of which are set out in the announcement of the Company dated 24 July 2007;

(e) the notice of termination dated 2 July 2008 issued by the Company to Shanghai Xu Hui in relation to the cancellation and termination of the sale and purchase agreement mentioned in paragraph (c) above and the request for Shanghai Xu Hui to refund the deposit of HK$15,435,500 together with the accrued interest at an interest rate of 5% per annum, further details of which are set out in the announcement of the Company dated 2 July 2008;

(f) the non-legally binding memorandum of understanding (the "**MOU**") dated 29 July 2008 between the Company as purchaser and Mr. Dai Han Qing ("**Mr. Dai**") as vendor in relation to the acquisition of the 70% of the equity interest in E Zhou Hongfu Industrial Limited which is interested in 100% of the mining rights in Chenjiawan copper mining sites, E Zhou Zhangqifang iron and copper mining sites and E Zhou Liertang iron mining sites, further details of which are set out in the announcement of the Company dated 29 July 2008;

(g) the deed of termination dated 25 February 2009 entered between the Company and Mr. Dai in relation to the termination of the MOU, further details of which are set out in the announcement of the Company dated 25 February 2009;

(h) the share transfer agreement dated 5 March 2009 between Shanghai Zhuoheng and 上海霖泊商貿發展有限公司 (Shanghai Linbo Trading Limited Company*) ("**Shanghai Linbo**") in relation to the transfer of 85% of the equity interest in Shanghai Jiyi from Shanghai Linbo to Shanghai Zhuoheng at the consideration of RMB17,000,000 payable within 30 days from the date of the share transfer agreement;

(i) the supplemental agreement dated 2 April 2009 between Shanghai Zhuoheng and Shanghai Linbo whereby Shanghai Zhuoheng and Shanghai Linbo agreed the date of payment of RMB17,000,000 be postponed to 4 October 2009;

(j) the placing and subscription agreement dated 20 May 2009 and the supplemental agreement dated 22 May 2009 entered between Ms. Yu Wai Fong as vendor ("**Ms. Yu**") and Get Nice Securities Limited as placing agent, and the Company and Ms. Yu respectively in relation to (i) the placing of 350,000,000 shares at the placing price of HK$0.133 per placing share to not less than six independent placees; and (ii) the subscription by Ms. Yu and the allotment and issue by the Company of 350,000,000 shares at a price of HK$0.133 per subscription share, further details of which are set out in the announcements of the Company dated 21 May 2009 and 22 May 2009;

(k) the cooperative agreement dated 28 July 2006, the supplemental cooperative agreement dated 26 June 2007 and the supplemental agreement dated 4 May 2009 between Shanghai Jiyi and Xinyuan Mining in relation to the rights and obligations of Shanghai Jiyi and Xinyuan Mining in the Mining Company;

(l) the Sale and Purchase Agreement; and

(m) the sale and purchase agreement dated 22 June 2009 entered among Shanghai Xiang Chen Hang as vendor and Hu Xi Niu, Hu Zhi Shu, Hu Biao, Hu Sui Bian, Hu Sui Dan, Hu Bin, Zhu Chang Jun and Zhou Mei Hong as purchasers in relation to the disposal of the property comprising basement level one and ground level of the commercial unit situates at Nos. 277 and 289 Lan Xi Road, Putuo District, Shanghai, the PRC at the consideration of RMB40 million (equivalent to approximately HK$45.45 million), further details of which are set out in the announcement of the Company dated 26 June 2009.

9. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Enlarged Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

In 1998, the Company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "**Defendants**") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of HK$40 million being the economic loss suffered by the Company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the Company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

In 2008, Shanghai Xiang Chen Hang brought up legal proceedings against Shanghai Xu Hui for refund of the deposit of RMB15,044,347 (equivalent to approximately HK$15,435,500) (the "**Deposit**") paid by Shanghai Xian Chen Hang together with the accrued interests at an interest rate of 5% per annum (the "**Accrued Interests**") under the agreement dated 10 July 2007 between Shanghai Xiang Chen Hang and Shanghai Xu Hui. On 17 November 2008, Shanghai Xiang Chen Hang and Shanghai Xu Hui entered into a settlement agreement before 上海市徐滙區人民法院 (Shanghai Xu Hui District Court*) for refund of the Deposits and Accrued Interests (collectively the "**Outstanding Amounts**") on or before 24 November 2008.

On 1 December 2008, Shanghai Xiang Chen Hang and Shanghai Xu Hui entered into a repayment agreement (the "**Repayment Agreement**") pursuant to which Shanghai Xu Hui shall repay the Outstanding Amounts in four instalments for the period between 5 December 2008 and 31 March 2009. As represented by the Company, Shanghai Xu Hui has repaid an amount of RMB1,000,000. Shanghai Xiang Chen Hang and Shanghai Xu Hui are in the course of negotiation of the repayment of the balance of the Outstanding Amounts.

10. GENERAL

(a) The registered address of the Company is at Clarendon House, Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong.

(c) The company secretary of the Company is Mr. Yip Yuk Sing. Mr. Yip has extensive experience in accounting and financial management. He holds a bachelor's degree in Accounting and a Master degree in Corporate Finance. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

(d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong from the date of this circular up to and including the date of SGM:

(a) the memorandum of association of the Company;

(b) the bye-laws of the Company;

(c) the Sale and Purchase Agreement;

(d) the written consents from the experts as referred to in the section headed "Qualifications and Consents of Experts" in this appendix;

(e) the valuation reports as set out in Appendices VI & VIII to this circular;

(f) the letter from the Independent Board Committee as set out in this circular;

(g) the letter from the Independent Financial Adviser as set out in this circular;

(h) the comfort letters from the financial adviser and the auditors as set out in Appendix VII to this circular;

(i) the report on unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular;

(j) the accountants reports on the Target Group as set out in Appendix III to this circular;

(k) all the agreements/contracts as referred to in this circular;

(l) the interim report of the Company for the six months ended 30 September 2008, and the annual reports of the Company for the financial years ended 31 March 2008 and 31 March 2007; and

(m) this circular.

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
中國置業投資控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 736)

NOTICE IS HEREBY GIVEN THAT the special general meeting (the "**Meeting**") of China Properties Investment Holdings Limited (the "**Company**") will be held at Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong on 16 July 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the sale and purchase agreement ("**Sale and Purchase Agreement**") dated 4 June 2009 entered between Gold Trinity International Limited (金順國際有限公司*) as the vendor ("**Vendor**"), the Company as purchaser and Mr. Han Wei (韓衛先生) as guarantor regarding the acquisition of the entire issued share capital in Main Pacific Group Limited (萬豐集團有限公司*), a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification and all the transactions contemplated thereunder, including but not limited to the issue of convertible bonds ("**Convertible Bonds**") in the principal amount of HK$260,000,000 in accordance with the terms and conditions of the Convertible Bonds attached to the Sale and Purchase Agreement and the issue and allotment of 1,300,000,000 new shares of the Company at HK$0.20 each ("**Conversion Price**") (subject to usual provisions for adjustments and Conversion Price Reset) which may fall to be issued and allotted upon exercise of the conversion right attaching to the Convertible Bonds to the Vendor and/or his nominee(s) in settlement of the consideration under the Sale and Purchase Agreement, be and are hereby approved, confirmed and ratified; and

for the purpose of this resolution:

Conversion Price Reset means the Conversion Price can be reset (if necessary) 12 times (i.e. on the last Business Day of each month) in each calendar year ("**Reset Date**") before the date of maturity of the Convertible Bonds in the event that the average closing price of the Shares as quoted on the Stock Exchange for the last three consecutive trading days up to and including the Reset Date ("**Reset Price**") is lower than the then Conversion Price of the Convertible Bonds. When such situation takes place, the then Conversion Price of the Convertible Bonds will be adjusted downwards to the Rest Price with effect from the next Business Day, and in any case the reset Conversion Price should not be less than the par value of the Share of HK$0.01 each;

* *For identification purpose only*

Business Day means a day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their regular business hours; and

Share(s) means ordinary share(s) of HK$0.01 each in the share capital of the Company; and

(b) any one or more of the directors ("**Directors**") of the Company be and is/are hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry and implement the Sale and Purchase Agreement and all the transactions completed thereunder into full effect."

2. "**THAT**

(a) the authorized share capital of the Company be and is hereby increased from HK$35,000,000 divided into 3,500,000,000 shares of HK$0.01 each ("**Shares**") to HK$300,000,000 divided into 30,000,000,000 Shares by the creation of an additional 26,500,000,000 Shares ("**Proposed Increase in Authorized Share Capital**"); and

(b) any one or more Directors be and is/are hereby authorized for and on behalf of the Company to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things deemed by him/them to be incidental to, ancillary to or in connection with matters contemplated in and for completion of the Proposed Increase in Authorized Share Capital."

By order of the Board
China Properties Investment Holdings Limited
Yu Wai Fong
Chairman

Hong Kong, 30 June 2009

Head office and principal place of business in Hong Kong:
Room 2001, 20/F.
Lippo Centre, Tower Two
89 Queensway
Hong Kong

Notes:

1. Any shareholder of the Company (the "**Shareholder(s)**") entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.

2. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

3. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the Meeting and in such event, the form of proxy shall be deemed to be revoked.

4. Where there are joint Shareholders any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the Meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.

5. The form of proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the Meeting or any adjournment thereof, not less than 24 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.