



China Chengtong Development Group Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

2010

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhang Guotong (*Chairman*)

Wang Hongxin (*Managing Director*)

Wang Tianlin (*Deputy General Manager*)

Non-Executive Directors

Gu Laiyun

Xu Zhen

Independent Non-Executive Directors

Kwong Che Keung, Gordon

Tsui Yiu Wa, Alec

Ba Shusong

AUDIT COMMITTEE

Kwong Che Keung, Gordon (*Chairman*)

Tsui Yiu Wa, Alec

Ba Shusong

Xu Zhen

REMUNERATION COMMITTEE

Tsui Yiu Wa, Alec (*Chairman*)

Kwong Che Keung, Gordon

Zhang Guotong

NOMINATION COMMITTEE

Zhang Guotong (*Chairman*)

Kwong Che Keung, Gordon

Tsui Yiu Wa, Alec

COMPANY SECRETARY

Lei Ching (HKICS, ICSA, FCCA)

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking
Corporation Limited

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Computershare Hong Kong Investor Services Limited

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183 Queen's Road East, Wanchai

Hong Kong

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SHARE LISTING

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**TO THE BOARD OF DIRECTORS OF
CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 23, which comprises the condensed consolidated statement of financial position of China Chengtong Development Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Turnover	3	14,993	4,476
Cost of sales		(10,171)	(6,017)
Gross profit (loss)		4,822	(1,541)
Other income		3,542	665
Selling expenses		(835)	(41)
Administrative expenses		(18,709)	(12,547)
Gain on change in fair value of investment properties		2,622	—
Gain on change in fair value of held-for-trading securities		1,123	2,289
Gain on disposals of subsidiaries	19	17,034	4,308
Gain on disposal of an associate	20	—	1,130
Reversal of provision for claims (provision for claims)	9	1,658	(4,520)
Share of result of an associate		—	6,102
Finance costs		(29)	(1,172)
Profit (loss) before taxation		11,228	(5,327)
Taxation (charge) credit	4	(656)	34
Profit (loss) for the period	5	10,572	(5,293)
Profit (loss) for the period attributable to:			
Owners of the Company		11,492	(4,137)
Non-controlling interests		(920)	(1,156)
		10,572	(5,293)
Total comprehensive income and expense attributable to:			
Owners of the Company		11,492	(4,137)
Non-controlling interests		(920)	(1,156)
		10,572	(5,293)
Earnings (loss) per share	7		
— basic		HK0.28 cent	HK(0.15) cent
— diluted		N/A	HK(0.15) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTES	30.6.2010 HK\$'000 (unaudited)	31.12.2009 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	7,820	8,554
Investment properties	8	253,878	251,256
Restricted bank balance		4,200	4,200
		265,898	264,010
Current assets			
Properties held for sale		1,936	11,852
Properties held for development		348,509	411,865
Properties under development		219,480	203,077
Claim recoverable	9	—	9,765
Trade and other receivables	10	16,898	6,564
Amount due from a non-controlling shareholder of a subsidiary	11	18,278	23,978
Amount due from an intermediate holding company	11	—	1,742
Held-for-trading securities		6,866	14,443
Bank balances and cash		650,205	617,649
		1,262,172	1,300,935
Assets classified as held for sale		—	40,255
		1,262,172	1,341,190
Current liabilities			
Trade and other payables	12	26,125	37,454
Provisions for claims	9	18,481	29,923
Deposits received on sale of properties		3,048	7,245
Deposit received from disposal of assets held for sale		—	3,407
Amounts due to related companies	13	469	361
Amounts due to non-controlling shareholders of subsidiaries	14	—	3,978
Tax payable		3,314	3,319
Secured bank loan	15	45,600	45,600
Unsecured other loans		600	3,260
Loans from a non-controlling shareholder of subsidiaries	16	—	17,965
		97,637	152,512
Liabilities associated with assets classified as held for sale		—	7,166
		97,637	159,678
Net current assets		1,164,535	1,181,512
Total assets less current liabilities		1,430,433	1,445,522

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTE	30.6.2010 HK\$'000 (unaudited)	31.12.2009 HK\$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		1,374	718
Net assets		1,429,059	1,444,804
Capital and reserves			
Share capital	17	417,344	417,344
Share premium and reserves		886,267	875,457
Equity attributable to owners of the Company		1,303,611	1,292,801
Non-controlling interests		125,448	152,003
Total equity		1,429,059	1,444,804

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company							Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000			
At 1 January 2009 (audited)	267,891	213,965	402	2,814	37,347	21	141,119	663,559	129,616	793,175
Profit (loss) for the year	—	—	—	—	—	—	61,982	61,982	(2,326)	59,656
Exchange differences arising on translation	—	—	—	—	1,398	—	—	1,398	57	1,455
Total comprehensive income and expense for the year	—	—	—	—	1,398	—	61,982	63,380	(2,269)	61,111
Acquisition of subsidiaries	149,453	416,409	—	—	—	—	—	565,862	126,909	692,771
Release and transfer upon disposal of a subsidiary	—	—	—	—	(15,138)	—	15,138	—	—	—
Release and transfer upon disposal of an associate	—	—	—	—	(5,889)	—	5,889	—	—	—
Share options lapsed	—	—	—	—	—	(21)	21	—	—	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(121,861)	(121,861)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	19,608	19,608
At 31 December 2009 (audited)	417,344	630,374	402	2,814	17,718	—	224,149	1,292,801	152,003	1,444,804
Profit (loss) and total comprehensive income and expenses for the period	—	—	—	—	—	—	11,492	11,492	(920)	10,572
Release and transfer upon disposals of subsidiaries (note 19(a) and 19(b))	—	—	—	—	(3,278)	—	3,278	—	(7,393)	(7,393)
Acquisition of additional interests in subsidiaries (note 18)	—	—	—	—	—	—	—	—	(18,242)	(18,242)
Difference arising on acquisition of additional interests in subsidiaries (note 18)	—	—	—	—	—	—	(682)	(682)	—	(682)
At 30 June 2010 (unaudited)	417,344	630,374	402	2,814	14,440	—	238,237	1,303,611	125,448	1,429,059
At 1 January 2009 (audited)	267,891	213,965	402	2,814	37,347	21	141,119	663,559	129,616	793,175
Loss and total comprehensive expenses for the period	—	—	—	—	—	—	(4,137)	(4,137)	(1,156)	(5,293)
Release and transfer upon disposal of a subsidiary (note 19)	—	—	—	—	(15,138)	—	15,138	—	—	—
Release and transfer upon disposal of an associate (note 20)	—	—	—	—	(5,889)	—	5,889	—	—	—
Share options lapsed	—	—	—	—	—	(21)	21	—	—	—
Disposal of a subsidiary (note 19)	—	—	—	—	—	—	—	—	(121,861)	(121,861)
At 30 June 2009 (unaudited)	267,891	213,965	402	2,814	16,320	—	158,030	659,422	6,599	666,021

Note: Capital reserve represented the deemed contribution by a substantial shareholder of the Company in 2007 arising from acquisition of a subsidiary, 洛陽城南中儲物流有限公司 (“洛陽城南”), from a subsidiary of then substantial shareholder of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash used in operating activities		(27,310)	(164,318)
Net cash generated from investing activities			
Proceeds from disposal of property, plant and equipment		1	—
Purchase of property, plant and equipment		(346)	(207)
Repayment of amounts due from associates		—	5,064
Interest received		1,695	58
Repayment from a non-controlling shareholder		5,700	—
Proceeds from disposal of an associate	20	—	58,000
Net proceeds from the restructuring of shareholding structure and shareholders' loans	18	20,693	—
Proceeds from disposals of subsidiaries	19	30,273	225,641
Repayment from an intermediate holding company		1,742	—
		59,758	288,556
Net cash from (used in) financing activities			
Repayment of amounts due to related companies		—	(354)
Advance from related companies		108	14,994
Repayment of bank loan		—	(29,380)
Interest paid		—	(1,172)
Repayment of loan from a substantial shareholder		—	(5,752)
		108	(21,664)
Net increase in cash and cash equivalents		32,556	102,574
Cash and cash equivalents at beginning of the period		617,649	95,590
Cash and cash equivalents at end of the period, represented by bank balances and cash		650,205	198,164

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34"), Interim Financial Reporting.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Application of new and revised HKFRSs with no impact to financial statements for current or prior periods

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. As there was no transaction during the current interim period in which HKFRS 3 (Revised) are applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

In respect of the increase in ownership interests during the period in subsidiaries of 諸城泰豐置地有限公司 ("泰豐置地") and 諸城鳳凰置地有限公司 ("鳳凰置地"), the impact of the change in policy has been that the difference of approximately HK\$682,000 between the consideration paid and the decrease in the carrying amount of the non-controlling interests in 泰豐置地 and 鳳凰置地 has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised as goodwill.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations issued in 2009 as part of the Improvements to HKFRSs clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such assets (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

HKAS 24 (Revised) Related party disclosures

Paragraphs 25 to 27 of HKAS 24 (Revised) Related party disclosures exempt certain disclosures in relation to the government-related entities.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures (except for paragraphs 25 to 27) ⁴
HKAS 32 (Amendment)	Classification of rights issues ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 9	Financial instruments ⁵
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

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

3. TURNOVER AND SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews operating results and financial information on a company by company basis. Each company is identified as an operating segment in accordance with HKFRS 8. When the group companies are operating in similar business model with similar target group of customers, the Group's operating segments are aggregated into property investment and property development reportable segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

3. TURNOVER AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable segment for the period under review:

Six months ended 30 June 2010

	Property investment HK\$'000	Property development HK\$'000	Total HK\$'000
Turnover			
Segment turnover - external sales	329	14,664	14,993
Result			
Segment result	(863)	(2,024)	(2,887)
Gain on change in fair value of investment properties			2,622
Gain on change in fair value of held-for-trading securities			1,123
Gain on disposals of subsidiaries			17,034
Unallocated corporate expenses			(6,947)
Unallocated other income			283
Profit before taxation			11,228

Six months ended 30 June 2009

	Property investment HK\$'000	Property development HK\$'000	Total HK\$'000
Turnover			
Segment turnover - external sales	815	3,661	4,476
Result			
Segment result	214	(12,654)	(12,440)
Gain on change in fair value of held-for-trading securities			2,289
Gain on disposal of a subsidiary			4,308
Gain on disposal of an associate			1,130
Share of result of an associate			6,102
Unallocated corporate expenses			(7,331)
Unallocated other income			615
Loss before taxation			(5,327)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment result represents the operating result earned by each segment without allocation of administration costs incurred and other income generated by head office and the inactive subsidiaries, directors' salaries, share of result of an associate, gain on disposals of subsidiaries and an associate and fair value change of investment properties and held-for-trading securities. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
Property investment	616,673	625,913
Property development	719,274	737,403
Total segment assets	1,335,947	1,363,316

4. TAXATION CHARGE (CREDIT)

The taxation charge for the period which amounting to HK\$656,000 (six months ended 30 June 2009: HK\$34,000 credit) represented the deferred tax charge (credit).

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both periods.

No provision for People's Republic of China ("PRC") Enterprise Income Tax is provided as the Group has no assessable profit in the PRC for both periods.

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,019	690
Exchange (gain) loss	(101)	262
Loss on disposal of property, plant and equipment	4	—
Interest income	(1,695)	(58)
Reimbursement of shared claims expenditure from a fellow subsidiary	(1,746)	—
Expenses capitalised in properties under development:		
Depreciation	56	—
Finance costs	1,413	—
Staff costs	390	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

6. DIVIDEND

No dividend was paid, declared or proposed during the current period (for the six months ended 30 June 2009: nil). The directors do not recommend the payment of an interim dividend.

7. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the profit for the period of HK\$11,492,000 attributable to the owners of the Company (for the six months ended 30 June 2009: loss of HK\$4,137,000) and on 4,173,434,227 shares (for the six months ended 30 June 2009: 2,678,905,570 shares).

During the period ended 30 June 2010, there is no diluted earnings per share as all the Company's outstanding share options have been lapsed as at 31 December 2009 and there was no potential ordinary share outstanding during the current period.

During the period ended 30 June 2009, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK\$346,000 (six months period ended 30 June 2009: HK\$207,000) on the acquisition of property, plant and equipment.

During the period ended 30 June 2009, the Group disposed of property, plant and equipment of HK\$773,000 through disposal of a subsidiary as described in note 19.

The fair values of the Group's investment properties at 30 June 2010 and 31 December 2009 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The gain on change in fair value during the period ended 30 June 2010 is amounting to HK\$2,622,000 (during the year ended 31 December 2009: loss on change in fair value amounting to HK\$11,400,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

9. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS

Provisions for claims represent the provision for several legal cases of 中實投資有限責任公司 Zhongshi Investment Company Limited (“Zhongshi”), a wholly-owned subsidiary of the Company. A movement and an analysis of the provisions for claims are set out below:

	1.1.2010 to 30.06.2010 HK\$'000	1.1.2009 to 31.12.2009 HK\$'000	1.1.2009 to 30.06.2009 HK\$'000
At 1 January	29,923	4,487	4,487
Currency realignment	—	40	—
Gross provision for claims (reversed)/charged during the period/year	(11,423)	28,927	4,520
Payment made for settlement during the period/year	(19)	(3,531)	—
At 30 June/31 December	18,481	29,923	9,007

An analysis of net provision for claims presented in the condensed consolidated statement of comprehensive income is set out below:

	1.1.2010 to 30.06.2010 HK\$'000	1.1.2009 to 30.06.2009 HK\$'000
Gross provision for claims (settled and reversed)/charged for the period/year	(11,423)	4,520
Claims recoverable settled and reversed	9,765	—
Net provision for claims (reversed)/charged to the condensed consolidated statement of comprehensive income	(1,658)	4,520

Details of provisions for claims and claim recoverable are disclosed in note 33 of the Group’s annual consolidated financial statements for the year ended 31 December 2009 (the “2009 Financial Statements”). During the current period, significant progress has been made in relation to certain cases as stated below.

As described in note 33 (b) of the 2009 Financial Statements, a court order was issued on 18 December 2009 which stated that Zhongshi is liable to pay for a claim amounted to RMB873,200 (equivalent to approximately HK\$995,000). The Group made an appeal to the court in December 2009. During the current period, a court order and an execution order were issued. The Group has paid approximately RMB1,113,000 (equivalent to approximately HK\$1,269,000) in August 2010. Furthermore, Zhongshi has applied for litigation against the independent contractor to recover 50% ownership of a property or equivalent compensation.

As described in note 33 (c) of the 2009 Financial Statements, Zhongshi has entered into a provisional sales contract and a sales contract with respective customers for sales of certain developed properties in Beijing, the PRC and the customers have raised counterclaims against Zhongshi. In the current period, Zhongshi has reached a compromise agreement with one of the customers. The customer agreed to complete the transaction and pay the balance payment of approximately RMB3,171,000 (equivalent to approximately HK\$3,615,000). The corresponding provision for claims amounting to approximately RMB1,410,000 (equivalent to approximately HK\$1,607,000) has been reversed accordingly. Sale of developed properties amounting to approximately RMB6,852,000 (equivalent to approximately HK\$7,812,000) has been recognised as revenue during the current period. Negotiation with another customer is still in process.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

9. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS (Continued)

As described in note 33 (e) of the 2009 Financial Statements, a settlement has been reached in respect of the unpaid consideration for the transfer of interest in Jinghuadou by all jointly liable parties with the plaintiff in February 2010. The settlement was completed on 24 February 2010 and the provision for claim and the corresponding claim recoverable both amounted to approximately HK\$9,765,000 have been set off. After the settlement date, the restriction on the property held for sale and the 100% equity interest in 洛陽城南 have been released in June and August 2010, respectively. As at 30 June 2010, the net asset value of 洛陽城南 was approximately HK\$35,250,000, mainly comprised of investment property amounting to HK\$38,760,000. Furthermore, the claim raised by another jointly liable party against the Group in November 2009 as described in note 33 (f) of the 2009 Financial Statements has been withdrawn after the settlement day.

As described in note 33 (g) of the 2009 Financial Statements, a customer of Zhongshi has filed a lawsuit against Zhongshi for water leakage problem. In accordance with an Arbitral Award issued in April 2010, a payment of approximately RMB17,000 (equivalent to approximately HK\$19,000) has been made. The over provision for claim of approximately HK\$51,000 has been reversed during the current period.

In the opinion of directors, the provision amounting to approximately HK\$18,481,000 as at 30 June 2010 has been considered sufficient to cover the exposure from the other unsettled legal cases. Except for the cases disclosed in note 33 of the 2009 Financial Statements and the development set out above, there are no other material claims or litigation of the Group as at 30 June 2010 and up to the issuance date of this interim financial report.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days (31 December 2009: 30 days) to its trade customers on open account credit terms. The following is an analysis of trade receivables by age, presented based on the invoice date.

	30.6.2010 HK\$'000	31.12.2009 HK\$'000
Within one month	11,128	—
Over five years	—	3,001
	11,128	3,001

11. AMOUNTS DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/AN INTERMEDIATE HOLDING COMPANY

The amounts due from a non-controlling shareholder of a subsidiary and an intermediate holding company are unsecured. The amount due from a non-controlling shareholder of a subsidiary bears fixed interest at 6.48% (2009: 6.48%) per annum and it is repayable within twelve months from the end of the reporting period. The amount due from an intermediate holding company is interest-free and was fully settled during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

12. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
Within one year	243	—
Over three years	2,669	8,453
	2,912	8,453

13. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies represented the balances due to the subsidiaries of the ultimate holding company at the end of the reporting period. These balances are unsecured, interest-free and repayable on demand.

14. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due to non-controlling shareholders of subsidiaries as at 31 December 2009 is interest-free, unsecured and repayable on demand.

15. SECURED BANK LOAN

	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
Secured bank loan repayable within one year	45,600	45,600

The bank loans carry a fixed interest rate at 5.94% (2009: 5.94%) per annum, which is 10% above the interest rate per annum offered by The People's Bank of China, and will be repriced every twelve months upon revolving.

At 30 June 2010 and 31 December 2009, the bank loan of HK\$45,600,000 is secured by the land use right of a property held for development which amounting to approximately HK\$101,000,000 (2009: HK\$101,000,000).

16. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

At 31 December 2009, loans from a non-controlling shareholder of certain subsidiaries are unsecured, interest bearing at 5.31% per annum after the completion of capital injection to the subsidiaries in December 2009. It is due for repayment on demand within three years from the date the Group obtained the certificates of the land use rights for certain properties held for development and properties under development, which were in April and May 2009. The balances were fully settled pursuant to the restructuring described in note 18.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each issued and fully paid		
At 1 January 2009 and 30 June 2009	2,678,905	267,891
Increase during the year ended 31 December 2009 (<i>note</i>)	1,494,529	149,453
At 31 December 2009 and 30 June 2010	4,173,434	417,344

Note: On 6 November 2009, the Company completed the acquisition of 100% equity interest in 誠通實業投資有限公司 and 66.67% equity interest in 誠通大豐海港開發有限公司, with consideration settled by 1,494,528,657 new shares issued.

All shares issued during the year ended 31 December 2009, rank *pari passu* with other shares in issue in all respects.

18. RESTRUCTURING

On 18 February 2010, the Group entered into an agreement for the restructuring of the shareholding structure and the shareholders' loans of 諸城港龍置地有限公司 ("港龍置地"), 泰豐置地 and 鳳凰置地 with the existing 20% non-controlling shareholder at that time, 北京世紀尊博投資有限公司 ("世紀尊博") (the "Reorganisation"). The Reorganisation transaction represented the acquisition of 20% equity interests in 泰豐置地 and 鳳凰置地, existing 80% owned subsidiaries at that time, held by 世紀尊博 at a consideration of RMB16,600,000 (equivalent to approximately HK\$18,924,000) and the disposal of 80% equity interests in 港龍置地 held by Zhongshi, a subsidiary of the Group at a consideration of RMB27,900,000 (equivalent to approximately HK\$31,806,000). At the same time, the shareholders' loans provided by Zhongshi and 世紀尊博 for the three entities were restructured and the net amount payable by 世紀尊博 to the Group as a result of debt restructuring was approximately RMB6,951,000 (equivalent to approximately HK\$7,925,000). Accordingly, 世紀尊博 shall pay to the Group in aggregate net amount of approximately RMB18,251,000 (equivalent to approximately HK\$20,807,000). The transaction was completed in April 2010, 泰豐置地 and 鳳凰置地 became wholly-owned subsidiaries of the Group, while 港龍置地 was no longer a subsidiary of the Group. The net cash consideration arising on the transaction which net of the bank balances and cash disposed of HK\$114,000 is amounting to HK\$20,693,000.

The additional interests acquired in this transaction are as follows:

	泰豐置地 HK\$'000	鳳凰置地 HK\$'000	Total HK\$'000
Additional interest acquired:			
Non-controlling interest	7,361	10,881	18,242
Difference arising on the acquisition of additional interests in subsidiaries included in accumulated profits	163	519	682
Total consideration	7,524	11,400	18,924
Cash outflow arising on acquisition:			
Cash consideration paid	(7,524)	(11,400)	(18,924)

The details of disposal of 港龍置地 is shown as note 19.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

19. DISPOSALS OF SUBSIDIARIES

Period ended 30 June 2010

During the period ended 30 June 2010, there are altogether three disposal transactions entered by the Company which included the disposals of Merry World Associates Limited ("Merry World"), 港龍置地 and certain inactive subsidiaries. Details of the three transactions are included as follows:

(a) Disposal of Merry World

On 31 December 2009, the Company entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital in a subsidiary, Merry World, at a cash consideration of HK\$33,680,000. The transaction was completed on 6 January 2010 with a gain of HK\$591,000.

An amount of approximately HK\$3,182,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

(b) Disposal of 港龍置地

Details as shown in note 18, the disposal of 港龍置地 resulting for a release of HK\$96,000 from the exchange reserve and transfer to accumulated profits during the current period.

(c) Disposal of certain inactive subsidiaries

In June 2010, the Group entered into a sale and purchase agreement with an independent third party, for the disposal of the Group's interests in 16 subsidiaries with a consideration of HK\$1.

These 16 subsidiaries included Beasley International Limited, Boxhill Limited, Chinacorp International Investment Holdings Limited, China Logistics Group Limited, Digital Sun Holdings Limited, e-Distribution Network Limited, Eastern World Transport Inc., Fenugreek International Limited, Galaxy Gain Limited, Meryton Enterprises Limited, Ocean-Land Estate Agents Limited, Ocean-Land Group Limited, Ocean-Land Sports Holding Limited, Ocean-Land Trading Limited, Ocean-Land Warehousing Limited and Winner Artificial Flowers Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

19. DISPOSALS OF SUBSIDIARIES (Continued)

Period ended 30 June 2010 (Continued)

The net assets of Merry World, 港龍置地 and certain inactive subsidiaries at date of disposals were as follows:

	Merry World HK\$'000	港龍置地 HK\$'000	Certain inactive subsidiaries HK\$'000	Total HK\$'000
Net assets disposed of:				
Assets classified as held for sale	40,255	—	—	40,255
Properties held for development	—	62,938	—	62,938
Trade and other receivables	—	6	3,018	3,024
Bank balances and cash	—	114	—	114
Liabilities associated with assets classified as held for sale	(7,166)	—	—	(7,166)
Trade and other payables	—	(126)	(10,632)	(10,758)
Loans from a non-controlling shareholder of subsidiaries	—	(2,930)	—	(2,930)
Amounts due to group companies	—	(23,040)	—	(23,040)
Amounts due to non-controlling shareholders of subsidiaries	—	—	(3,978)	(3,978)
Tax payable	—	—	(5)	(5)
Unsecured other loans	—	—	(2,660)	(2,660)
	33,089	36,962	(14,257)	55,794
Non-controlling interest	—	(7,393)	—	(7,393)
	33,089	29,569	(14,257)	48,401
Directly attributable cost (Note)	—	—	51	51
Gain on disposals	591	2,237	14,206	17,034
	33,680	31,806	—	65,486
Satisfied by:				
Cash consideration received during the current period	30,273	31,806	—	62,079
Deposit received from disposal of assets held for sale as at 31 December 2009	3,407	—	—	3,407
Total cash consideration	33,680	31,806	—	65,486
Cash inflow arising on disposal:				
Cash consideration received during the current period	30,273	31,806	—	62,079
Bank balances and cash disposed of	—	(114)	—	(114)
	30,273	31,692	—	61,965

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

19. DISPOSALS OF SUBSIDIARIES (Continued)

Period ended 30 June 2010 (Continued)

The net cash inflow arising on the disposal of subsidiaries other than 港龍置地, which encountered in note 18, is amounting to approximately HK\$30,273,000.

Note: Directly attributable cost amounting to HK\$51,000 was not yet paid up to the six months ended 30 June 2010. Amount being included in the trade and other payables of the condensed consolidated statement of financial position.

Period ended 30 June 2009

During the period ended 30 June 2009, the Group disposed of the 100% equity interest in Great Royal International Limited ("Great Royal"), which held approximately 67.08% interest in the registered capital of 湖州萬港聯合置業有限公司 Huzhou Wangang United Estate Company Limited.

The net assets of Great Royal and its subsidiary at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	773
Amount receivable from sales of properties	334,794
Trade and other receivables	284,280
Bank balances and cash	746
Trade and other payables	(70,292)
Amounts due to non-controlling shareholders of subsidiaries	(1)
Amounts due to related companies	(14,994)
Tax payable	(9,298)
Bank loan	(135,600)
Deferred tax liabilities	(1,867)
	388,541
Non-controlling interests	(121,861)
	266,680
Directly attributable costs	1,116
Gain on disposal	4,308
	272,104
Satisfied by:	
Cash consideration	227,503
Amount receivable from disposal of a subsidiary	44,601
	272,104
Net cash inflow arising on disposal:	
Cash consideration	227,503
Directly attributable costs	(1,116)
Bank balances and cash disposed of	(746)
	225,641

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

19. DISPOSALS OF SUBSIDIARIES (Continued)

Period ended 30 June 2009 (Continued)

Notes:

- (a) On 24 August 2009, the Company entered into a supplemental agreement (“Supplemental Agreement”) with the purchaser of Great Royal (“Purchaser”). Pursuant to the Supplemental Agreement, the Purchaser agreed that the remaining balance of consideration of approximately HK\$27,586,000 shall be paid by way of a promissory note together with the interest calculated at an interest rate of 6% per annum. The Purchaser has also executed a share mortgage in respect of the shares of Great Royal in favor of the Company as security for the Purchaser’s obligation to pay the balance of approximately HK\$27,586,000.
- (b) During the current six months ended 30 June 2009, an amount of HK\$15,138,000 was released from the exchange reserve and transfer to the accumulated profits resulting from such disposal.

20. DISPOSAL OF AN ASSOCIATE

On 2 April 2009, the Group entered into a share sale and purchase agreement with CIMPOR Macau Investment Company Limited (“CIMPOR Macau”), to dispose 20% equity interest in its associate, CIMPOR Chengtong Cement Corporation Limited (“CIMPOR Chengtong”) at a consideration of HK\$58,000,000. CIMPOR Macau is the major shareholder of CIMPOR Chengtong. The proceeds of disposal were received in cash during the period. During the period ended 30 June 2009, an amount of approximately HK\$5,889,000 was released from the exchange reserve and transferred to the accumulated profits resulting from such disposal.

	<i>HK\$'000</i>
Net assets disposed of:	
Interests in associates	56,870
Gain on disposal of an associate	1,130
Cash consideration received	58,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

21. RELATED PARTY TRANSACTIONS

During the period, the Group had entered into the following significant transactions with the following related parties:

Name of related parties	Nature of transactions	Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Former associate:			
CIMPOR Chengtong	Consultancy and service income	—	90
The wholly-owned subsidiary of the ultimate holding company:			
中國物流公司	Income from lease arrangement	60	—
嘉成企業發展有限公司	Reimbursement of shared claims expenditure	1,746	—
The intermediate holding company of the Company:			
China Chengtong Hong Kong Company Limited ("CCHK")	Interest expense	—	181
Former non-controlling shareholder of subsidiaries:			
世紀尊博	Interest expense (included in profit or loss)	29	—
	Interest expenses (capitalised in properties under development)	51	—

Balances with related parties at the end of reporting period are set out in the condensed consolidated statement of financial position.

The remuneration of key management personnel, which are the directors, during the period was as follows:

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Short-term benefits	2,084	1,828
Post-employment benefits	62	34
	2,146	1,862

Transactions/balances with other government related entities in the PRC

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

21. RELATED PARTY TRANSACTIONS (Continued)

In addition, the Group itself is part of a larger group of companies under China Chengtong Holdings Group Limited "CCHG" (CCHG and its subsidiaries are referred to as the "CCHG Group") which is controlled by the PRC government. Apart from the transactions with CCHG Group disclosed above, the Group also conducts business with other government-related entities. The directors consider those other government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

The Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks which are government-related entities. A majority of its bank deposits and borrowings are with government-related entities.

22. OPERATING LEASE COMMITMENTS

As lessee

The Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
Within one year	2,550	2,426
In the second to fourth years	3,241	4,553
	5,791	6,979

As lessor

The Group had contracted with tenants for the following future minimum lease payments:

	30.6.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i>
Within one year	796	965

23. COMMITMENT

In October 2008, the Group has entered into a sale and purchase agreement to acquire 100% interest in 連雲港中儲物流有限公司 at a consideration of approximately RMB181,000,000 (subject to adjustment) from CCHK. On 30 April 2010, the Group agreed with CCHK that the long stop date has been extended from 30 April 2010 to 29 October 2010. The transaction is still subject to approval by relevant government authority and has not yet completed up to the date of this report. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008.

24. EVENT AFTER THE REPORTING PERIOD

In August 2010, the Company entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital in a subsidiary, 洛陽城南, and the amount due to a group company at a cash consideration of RMB61,850,000 and the estimated gain on disposal is approximately RMB28,166,000 (approximately equivalent to HK\$32,109,000). This transaction was not yet completed at the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

I. INTERIM DIVIDEND

The Board of Directors (“Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: nil).

II. FINANCIAL RESULTS

Turnover of the Group for the period under review was approximately HK\$15 million, as compared with approximately HK\$4.48 million for the same period last year. The turnover of the Group for both the period under review and for the same period last year comprised mainly of the sales revenue of the property development project in Beijing, the People’s Republic of China (the “PRC”).

During the period under review, the Group recorded profit attributable to shareholders of approximately HK\$11.49 million, as compared with a loss of approximately HK\$4.14 million for the same period last year. This was mainly attributable to the gain of approximately HK\$17 million from disposals of equity interests in certain subsidiaries during the period under review, representing an increase of approximately HK\$12.7 million as compared with the gain of approximately HK\$4.3 million from disposal of a subsidiary for the same period last year.

III. BUSINESS REVIEW

Following the disposal of Merry World Associates Limited (whose major assets are properties located at Li Wan Plaza, Guangzhou), a wholly owned subsidiary of the Company, and the disposal of certain inactive subsidiaries during the period under review, the Group has disposed of nearly all of its non-core businesses and non-performing assets. Since the Group’s ultimate controlling shareholder China Chengtong Holdings Group Limited (“CCHG”) acquired the Company in 2003, the consolidated net asset value and fund held by the Group have increased from then approximately HK\$100 million and HK\$20 million to approximately HK\$1,400 million and HK\$650 million, respectively, which is mainly attributable to the encouraging results achieved by the Group in business development and asset reorganization throughout the years, as the major projects under asset reorganisation have recorded remarkable return and brought abundant fund inflow for the Group.

1. Property Development

(1) Zhucheng of Shandong Province

In April 2010, the Group completed the reorganisation of shareholding structure and certain debts of three subsidiaries which had been owned previously as to 80% by the Group in Zhucheng, Shandong. Accordingly, the Group acquired 20% equity interest in Zhucheng Phoenix Landmark Company Limited (“Phoenix Landmark”) and Zhucheng Prosperity Landmark Company Limited (“Prosperity Landmark”) from, and disposed 80% equity interest in Zhucheng Dragon Landmark Company Limited (“Dragon Landmark”) to the non-controlling shareholder of such three companies, and recorded a gain on disposal of approximately HK\$2.24 million. Upon completion of the reorganisation, each of Phoenix Landmark and Prosperity Landmark has become a wholly-owned subsidiary of the Company and the Group ceased to have any interest in Dragon Landmark.

III. BUSINESS REVIEW (Continued)

1. Property Development (Continued)

(1) Zhucheng of Shandong Province (Continued)

“CCT-Champs-Elysees”, the residential and commercial complex development project of Phoenix Landmark, is in vicinity to the scenic Dinosaur Park in the centre of Zhucheng City. It has planned construction land area of approximately 146,000 square metres and total gross floor area of approximately 305,000 square metres. The project will be developed in three phases and all development is scheduled to be completed in 2013. In particular, the phase I of “CCT-Champs - Elysees” with total gross floor area of approximately 55,000 square metres occupying a land area of approximately 52,168 square metres was developed in the first half of 2010. Presently, about 25% of the project development has been completed. The Group is expected to complete construction of the project in first half of 2011 and commence pre-sale in the second half of 2010. The Group plans to develop the remaining gross floor area of approximately 30,000 square metres for phase I and gross floor area of approximately 60,000 square metres for phase II in the second half of 2010. Phase II project is scheduled to be completed and ready for delivery in 2012. “CCT-Champs-Elysees” is positioned as the most liveable high-end property in Zhucheng.

“CCT-Phoenix City”, the residential and commercial complex development project of Prosperity Landmark, has planned construction land area of approximately 99,599 square metres and total gross floor area of approximately 170,000 square metres. The project will be developed in three phases and all development is scheduled to be completed in 2013. Planning approval application, preliminary design and working drawing design for phase I had been completed in the first half of 2010. Gross floor area of approximately 58,000 square metres for phase I is planned to be developed in the second half of 2010, occupying a land area of approximately 31,516 square metres. The project is presently under foundation construction. It is planned to launch for sale in the first quarter of 2011 and is expected to contribute sales revenue to the Group in 2011.

(2) Dafeng of Jiangsu Province

During 2009, the Group obtained through indirect acquisition of 66.67% equity interest in Chengtong Dafeng Harbour Development Limited (“Chengtong Dafeng”) from CCHG for five parcels of land with a total site area of approximately 1,030,000 square metres located in Dafeng City, Jiangsu Province. Four of the five parcels of land situated in the Ocean Economic Development Area of Dafeng City with a total site area of approximately 480,000 square metres can be developed into residential and commercial projects.

“Chengtong International City”, a residential and commercial development project of Chengtong Dafeng, is located at the north of a parcel of land mentioned above, and close to the future administrative centre of the city. The project is blessed with convenient accessibility and outstanding natural surroundings. Initial development area of “Chengtong International City” has a planned land area of approximately 39,661 square metres, aboveground gross floor area of approximately 36,000 square metres and parking lot area of approximately 2,000 square metres. Section I of the initial development area was developed in the first half of 2010, with gross floor area of approximately 16,000 square metres. By the end of June 2010, construction area of approximately 15,000 square metres had been completed accumulatively, which was roofed in July 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

III. BUSINESS REVIEW *(Continued)*

1. Property Development *(Continued)*

(2) Dafeng of Jiangsu Province *(Continued)*

As the State is gradually intensifying control over the real estate market, property price in major cities are impacted to a certain extent, but it has limited influence on county-level cities such as Dafeng City of Jiangsu Province. The property price of Dafeng and its surrounding areas has kept rising in the first half of 2010. Real estate market has presented healthy and positive growth. Following the development and construction of Jiangsu coastal areas which are officially included in the national coastal development strategy, Dafeng Harbour has been incorporated into the Yangtze River Delta Economic Cycle with Shanghai as centre. Presently, the means of modern transportation by sea, land and air have been available or under construction in Dafeng Harbour. The convenient accessibility will help to attract external investors to buy property in the harbour zone, which brings huge upward potentials for the property price. In addition, as the new Dafeng urban area next to harbour continues to develop, new major projects spring up, and the total investment keeps increasing. Accordingly, it would give rise to increasing demand for properties. "Chengtong International City" is located in the core of the new city in harbour zone. The Group is expected to complete the construction of phase I of "Chengtong International City" in the second half of 2010 and commence the development of phase II thereafter.

(3) Beijing

In 2010, the Group's property development project located at Xicheng District of Beijing sold 93 parking spaces and approximately 508 square metres of commercial area, which contributed turnover of approximately HK\$14.6 million, a significant increase by comparing with the turnover of approximately HK\$3.66 million which generated from the sales of approximately 1,070 square metres of warehousing area in the same period last year. As at 30 June 2010, there were only approximately 492 square metres of commercial and warehousing area in aggregate and 8 parking spaces remained unsold for the project.

2. Property Investment

Land Resources Exploitation

Leveraging on the support from CCHG, the Group has started its land resource exploitation business for the past few years.

(1) Luoyang of Henan Province

The Group held a parcel of land located in Luoyang, Henan Province, the PRC, together with the warehouse complex erected thereon, with a site area of approximately 74,452 square metres in 2007 through acquisition of 洛陽城南中儲物流有限公司(unofficial English translation as Luoyang Southern City CMST Logistic Limited) ("Luoyang Logistic") from CCHG. This parcel of land has been zoned into commercial development area and its potential value has been improved significantly.

III. BUSINESS REVIEW (Continued)

2. Property Investment (Continued)

Land Resources Exploitation (Continued)

(1) *Luoyang of Henan Province (Continued)*

In August 2010, the Group entered into a purchase and sale agreement with an independent third party, pursuant to which the Group would dispose 100% equity interest in Luoyang Logistic and creditor's rights on a loan due by Luoyang Logistic at a consideration of RMB61.85 million. The disposal is expected to contribute a gain on disposal of approximately RMB28 million to the Group. The Group had an intention to change the use of land it held from industrial purpose to commercial purpose, so as to develop such land or realize its value at appropriate time, subject to investment returns, future market conditions as well as relevant regulations. The disposal has provided successful experience for a profiting mode of the Group's land resource exploitation business.

(2) *Changzhou of Jiangsu Province, Shenyang of Liaoning Province and Guilin of Guangxi Province*

In November 2009, the Group held three parcels of land located in Changzhou of Jiangsu Province, Shenyang of Liaoning Province and Guilin of Guangxi Province, together with the buildings thereon, with site area of approximately 84,742 square metres, 247,759 square metres and 55,412 square metres respectively, through acquisition of 100% equity interest in 誠通實業投資有限公司 (unofficial translation as Chengtong Industrial Investment Limited) from a subsidiary of CCHG.

The Group is to hold the above three parcels of land with low operational cost and mainly by leasing out. In order to increase the rental income, the Group may consider to construct new warehouses, subject to the demand for local logistics, industrial premises and headquarter base. The Group has an intention to develop such plots of land or realise their values at the time when infrastructure and operating environment becomes mature. Given the convenient accessibility of the three parcels of land above, the actual situation in adjacent areas and city development, the Group believes that such lands have huge potential for development and investment in the long term.

IV. OUTLOOK

In the first half of 2010, the PRC government implemented a series of macro control policies over real estate market to curb the overheated price rise and speculations on properties, aiming to maintain a stable and healthy development of the industry. The State-owned Assets Supervision and Administration Commission of the State Council also adopted measures to control investment scale of enterprises under direct administration of central government in the real estate industry. Under such circumstance, as the Group's property development projects are located in the third or fourth tier cities, where the rapid urbanization has put their real estate market on the track of healthy growth, the above policies have limited impacts on the Group. Through the disposals of assets and realization of investments, the Group has accumulated abundant cash. The Group will further seek investment opportunities in land resources exploitation and strategic investment, including the possibility of seeking land resources and investment projects from CCHG and other enterprises under direct administration of the central government.

The Board has full confidence in the Group's profitability and development prospects in the year and future.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 June 2010, the Group's gearing ratio calculated on the basis of amounts due to non-controlling shareholders of subsidiaries, loans from a non-controlling shareholder of subsidiaries, bank loan and other loans of approximately HK\$46.2 million and total assets of approximately HK\$1,528.1 million was 3% (31 December 2009: 4%).

LIQUIDITY AND CAPITAL RESOURCES

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

At 30 June 2010, the Group had cash and bank balances amounting to approximately HK\$654.41 million (31 December 2009: approximately HK\$621.85 million), and current assets and current liabilities of approximately HK\$1,262.17 million and HK\$97.64 million respectively (31 December 2009: approximately HK\$1,341.19 million and HK\$159.68 million respectively). Out of the cash and bank balances of approximately HK\$654.41 million at 30 June 2010, a sum of HK\$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

At 30 June 2010, the Group's bank borrowings amounted to approximately HK\$45.6 million which was secured and repayable within one year with interest at commercial rate. The other loan from a third party of approximately HK\$600,000 was unsecured, repayable on demand and interest-free. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES AND EMOLUMENT POLICY

At 30 June 2010, the Group employed a total of 70 employees, of which 11 were based in Hong Kong and 59 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's corporate goals, their individual performance and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to directors and eligible employees to subscribe the shares of the Company.

PLEDGE OF ASSET

At 30 June 2010 and 31 December 2009, the bank loan was secured by the land use right of a property held for development amounting to approximately HK\$101 million.

COMMITMENT

In October 2008, the Group has entered into a sale and purchase agreement to acquire 100% interest in 連雲港中儲物流有限公司 at a consideration of approximately RMB181,000,000 (subject to adjustment) from China Chengtong Hong Kong Company Limited ("CCHK"). On 30 April 2010, the Group agreed with CCHK that the long stop date has been extended from 30 April 2010 to 29 October 2010. The transaction is still subject to approval by relevant government authority and has not yet completed up to the date of this report. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008.

OTHERS

At 31 December 2009, the court restricted the rights to transfer the Group's certain properties held for sale and equity interest in a subsidiary. The restrictions have been released as at the date of this report.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2010, directors and chief executives of the Company who had any interests in the shares, underlying shares and debentures of the Company and any of its associated corporations which are required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange are as follows:

Name of Director	Interests in the Company or its associated Corporation	Nature of Interest	Number of Shares	Approximate Percentage of Interest
Zhang Guotong	The Company	Beneficial owner	365	0.000009%
Gu Laiyun	The Company	Beneficial owner	3,867,707	0.093%
Xu Zhen	The Company	Beneficial owner	725,196	0.017%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital and underlying shares of the Company.

Substantial shareholders of the Company

Name of Shareholder	Nature of Interest	Number of Shares held for long position	Approximate Percentage of issued share capital
World Gain Holdings Limited ("World Gain")	Beneficial owner (Note 2)	2,286,343,570 (L)	54.78%
China Chengtong Hong Kong Company Limited ("CCHK")	Controlled corporation (Note 2)	2,286,343,570 (L)	54.78%
	Beneficial owner	705,539,557 (L) (Note 3)	16.91%
China Chengtong Holdings Group Limited ("CCHG")	Controlled corporation (Note 2)	2,991,883,127 (L)	71.69%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. The letter "L" represents the entity's interest in the shares.
2. The entire issued share capital of World Gain is beneficially owned by CCHK, the entire issued share capital of which is beneficially owned by CCHG. Both CCHK and CCHG are deemed to be interested in all the Shares held by World Gain under the SFO.
3. These shares represent the Consideration Shares which will be allotted and issued to CCHK, upon completion of the Second SP Agreement (each term as defined in the circular of the Company dated 29 November 2008 and assuming the consideration to be payable by the Company under the Second SP Agreement is adjusted to its maximum extent).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to each of the directors of the Company, they confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2010.

The Company had also set written guidelines on terms no less exacting than the Model Code (the "Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price sensitive information of the Company due to their responsibilities and duties. No incident of non-compliance of the Written Guidelines by relevant employees was noted by the Board during the period under review.

CHANGES IN INFORMATION ON DIRECTORS

Subsequent to the date of the 2009 Annual Report, changes in information of directors of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- Mr. Kwong Che Keung, Gordon, an independent non-executive Director of the Company has resigned as an independent non-executive director of China Oilfield Services Limited and Tianjin Development Holdings Limited.
- Mr. Tsui Yiu Wa, Alec, an independent non-executive Director the Company has resigned as an independent non-executive director of China Huiyuan Juice Group Limited and Greentown China Holdings Limited.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to the healthy and sustainable development of the Group. The directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010, save as disclosed below:

Code Provision E.1.2

Under the code provision E.1.2, the Chairman of the Board shall attend the annual general meeting of the Company. Due to the busy business commitment, Mr. Zhang Guotong, the Chairman of the Board was unable to attend the 2010 annual general meeting of the Company, and he authorized Mr. Wang Hongxin, the Managing Director of the Company, to preside over the annual general meeting on his behalf.

REVIEW OF ACCOUNTS

The Board is of the view that disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2010 in conjunction with auditor of the Company.

By order of the Board
China Chengtong Development Group Limited
Wang Hongxin
Managing Director

Hong Kong, 31 August 2010