



# China Chengtong Development Group Limited

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 217)



# 2011

Interim Report



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# CORPORATE INFORMATION

CHINA CHENGTONG  
DEVELOPMENT GROUP LIMITED

## BOARD OF DIRECTORS

### Executive Directors

Zhang Guotong (*Chairman*)

Yuan Shaoli (*Vice Chairman*)

Wang Hongxin (*Managing Director*)

Wang Tianlin (*Deputy General Manager*)

### 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

## 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

Hui Lap Tak

## AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China Limited

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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64/F., Central Plaza

18 Harbour Road

Wanchai, Hong Kong

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Fax: (852) 2160-1608

## WEBSITE ADDRESS

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[www.hk217.com](http://www.hk217.com)

E-mail: [public@hk217.com](mailto:public@hk217.com)

## SHARE REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

46/F., Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

Tel: (852) 2862-8628

Fax: (852) 2865-0990

## 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

**Deloitte.**  
**德勤**

**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 24, 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 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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  
29 August 2011

# CONDENSED CONSOLIDATED INCOME STATEMENT

CHINA CHENG TONG  
DEVELOPMENT GROUP LIMITED

FOR THE SIX MONTHS ENDED 30 JUNE 2011

|                                                             | NOTES | Six months ended 30 June        |                                 |
|-------------------------------------------------------------|-------|---------------------------------|---------------------------------|
|                                                             |       | 2011<br>HK\$'000<br>(unaudited) | 2010<br>HK\$'000<br>(unaudited) |
| Turnover                                                    | 3     | 120,979                         | 14,993                          |
| Cost of sales                                               |       | (111,187)                       | (10,171)                        |
| Gross profit                                                |       | 9,792                           | 4,822                           |
| Other income                                                | 4     | 10,332                          | 3,542                           |
| Selling expenses                                            |       | (3,278)                         | (835)                           |
| Administrative expenses                                     |       | (15,249)                        | (18,709)                        |
| Gain on change in fair value of investment properties       |       | 1,428                           | 2,622                           |
| Gain on change in fair value of held-for-trading securities |       | 240                             | 1,123                           |
| Gain on disposals of subsidiaries                           |       | —                               | 17,034                          |
| Net reversal of provision for claims                        |       | —                               | 1,658                           |
| Finance costs                                               |       | (4,165)                         | (29)                            |
| (Loss) profit before taxation                               |       | (900)                           | 11,228                          |
| Taxation charge                                             | 5     | (2,543)                         | (656)                           |
| (Loss) profit for the period                                | 6     | (3,443)                         | 10,572                          |
| (Loss) profit for the period attributable to:               |       |                                 |                                 |
| Owners of the Company                                       |       | (3,904)                         | 11,492                          |
| Non-controlling interests                                   |       | 461                             | (920)                           |
|                                                             |       | (3,443)                         | 10,572                          |
| (Loss) earnings per share                                   | 8     |                                 |                                 |
| — basic                                                     |       | HK(0.09) cents                  | HK0.28 cents                    |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

|                                                         | NOTE | Six months ended 30 June        |                                 |
|---------------------------------------------------------|------|---------------------------------|---------------------------------|
|                                                         |      | 2011<br>HK\$'000<br>(unaudited) | 2010<br>HK\$'000<br>(unaudited) |
| (Loss) profit for the period                            | 6    | <b>(3,443)</b>                  | 10,572                          |
| Other comprehensive income                              |      |                                 |                                 |
| Exchange differences arising on translation             |      | <b>26,561</b>                   | —                               |
| Total comprehensive income for the period               |      | <b>23,118</b>                   | 10,572                          |
| Total comprehensive income and expense attributable to: |      |                                 |                                 |
| Owners of the Company                                   |      | <b>19,986</b>                   | 11,492                          |
| Non-controlling interests                               |      | <b>3,132</b>                    | (920)                           |
|                                                         |      | <b>23,118</b>                   | 10,572                          |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CHINA CHENG TONG  
DEVELOPMENT GROUP LIMITED

AT 30 JUNE 2011

|                                                                  | NOTES | 30.6.2011<br>HK\$'000<br>(unaudited) | 31.12.2010<br>HK\$'000<br>(audited) |
|------------------------------------------------------------------|-------|--------------------------------------|-------------------------------------|
| <b>Non-current assets</b>                                        |       |                                      |                                     |
| Property, plant and equipment                                    | 9     | 8,560                                | 8,047                               |
| Investment properties                                            | 9     | 228,000                              | 222,784                             |
| Restricted bank balance                                          |       | 4,200                                | 4,200                               |
| Receivables under finance lease arrangement                      | 10    | 17,569                               | —                                   |
|                                                                  |       | <b>258,329</b>                       | 235,031                             |
| <b>Current assets</b>                                            |       |                                      |                                     |
| Properties held for sale                                         |       | 42,557                               | —                                   |
| Properties held for development                                  |       | 296,196                              | 291,259                             |
| Properties under development                                     |       | 337,033                              | 318,030                             |
| Trade and other receivables                                      | 11    | 33,560                               | 67,378                              |
| Receivables under finance lease arrangement                      | 10    | 16,186                               | 60,154                              |
| Amount due from a non-controlling shareholder<br>of a subsidiary | 12    | 18,262                               | 17,958                              |
| Tax recoverable                                                  |       | 1,223                                | —                                   |
| Held-for-trading securities                                      |       | 2,738                                | 8,266                               |
| Short-term investments                                           | 13    | 172,800                              | —                                   |
| Bank balances and cash                                           |       | 1,301,129                            | 716,617                             |
|                                                                  |       | <b>2,221,684</b>                     | 1,479,662                           |
| <b>Current liabilities</b>                                       |       |                                      |                                     |
| Trade and other payables                                         | 14    | 56,234                               | 35,525                              |
| Deposits received on sale of properties                          |       | 78,004                               | 39,396                              |
| Amounts due to related companies                                 |       | 403                                  | 508                                 |
| Amount due to ultimate holding company                           |       | —                                    | 461                                 |
| Tax payable                                                      |       | —                                    | 8,663                               |
| Secured bank loans                                               | 15    | 60,000                               | 47,200                              |
| Unsecured other loans                                            |       | 600                                  | 600                                 |
|                                                                  |       | <b>195,241</b>                       | 132,353                             |
| Net current assets                                               |       | <b>2,026,443</b>                     | 1,347,309                           |
| Total assets less current liabilities                            |       | <b>2,284,772</b>                     | 1,582,340                           |
| <b>Non-current liabilities</b>                                   |       |                                      |                                     |
| Deferred tax liabilities                                         |       | 2,445                                | 1,907                               |
| Corporate bonds                                                  | 16    | 707,990                              | —                                   |
|                                                                  |       | <b>710,435</b>                       | 1,907                               |
| Net assets                                                       |       | <b>1,574,337</b>                     | 1,580,433                           |

**CONDENSED CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION**

AT 30 JUNE 2011

|                                              | <i>NOTE</i> | <b>30.6.2011</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 31.12.2010<br><i>HK\$'000</i><br>(audited) |
|----------------------------------------------|-------------|-----------------------------------------------------------|--------------------------------------------|
| Capital and reserves                         |             |                                                           |                                            |
| Share capital                                | 17          | <b>417,344</b>                                            | 417,344                                    |
| Share premium and reserves                   |             | <b>995,814</b>                                            | 1,005,042                                  |
| Equity attributable to owners of the Company |             | <b>1,413,158</b>                                          | 1,422,386                                  |
| Non-controlling interests                    |             | <b>161,179</b>                                            | 158,047                                    |
| Total equity                                 |             | <b>1,574,337</b>                                          | 1,580,433                                  |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHINA CHENGTONG  
DEVELOPMENT GROUP LIMITED

FOR THE SIX MONTHS ENDED 30 JUNE 2011

|                                                                           | Attributable to owners of the Company |                              |                                              |                                          |                                 |                                    | Subtotal<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------------------------------------------|---------------------------------------|------------------------------|----------------------------------------------|------------------------------------------|---------------------------------|------------------------------------|----------------------|----------------------------------------------|-------------------|
|                                                                           | Share<br>capital<br>HK\$'000          | Share<br>premium<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000<br>(Note) | Exchange<br>reserve<br>HK\$'000 | Accumulated<br>profits<br>HK\$'000 |                      |                                              |                   |
| At 1 January 2010 (audited)                                               | 417,344                               | 630,374                      | 402                                          | 2,814                                    | 17,718                          | 224,149                            | 1,292,801            | 152,003                                      | 1,444,804         |
| Profit (loss) for the year                                                | —                                     | —                            | —                                            | —                                        | —                               | 87,890                             | 87,890               | (1,618)                                      | 86,272            |
| Exchange differences arising on translation                               | —                                     | —                            | —                                            | —                                        | 42,377                          | —                                  | 42,377               | 4,756                                        | 47,133            |
| Total comprehensive income for the year                                   | —                                     | —                            | —                                            | —                                        | 42,377                          | 87,890                             | 130,267              | 3,138                                        | 133,405           |
| Acquisition of a subsidiary                                               | —                                     | —                            | —                                            | —                                        | —                               | —                                  | —                    | 2,853                                        | 2,853             |
| Release and transfer upon disposals of subsidiaries                       | —                                     | —                            | —                                            | —                                        | (25,526)                        | 25,526                             | —                    | (7,393)                                      | (7,393)           |
| Capital contribution from non-controlling interests                       | —                                     | —                            | —                                            | —                                        | —                               | —                                  | —                    | 25,688                                       | 25,688            |
| Acquisition of additional interests in subsidiaries                       | —                                     | —                            | —                                            | —                                        | —                               | —                                  | —                    | (18,242)                                     | (18,242)          |
| Difference arising on acquisition of additional interests in subsidiaries | —                                     | —                            | —                                            | —                                        | —                               | (682)                              | (682)                | —                                            | (682)             |
| At 31 December 2010 (audited)                                             | 417,344                               | 630,374                      | 402                                          | 2,814                                    | 34,569                          | 336,883                            | 1,422,386            | 158,047                                      | 1,580,433         |
| (Loss) profit for the period                                              | —                                     | —                            | —                                            | —                                        | —                               | (3,904)                            | (3,904)              | 461                                          | (3,443)           |
| Exchange differences arising on translation                               | —                                     | —                            | —                                            | —                                        | 23,890                          | —                                  | 23,890               | 2,671                                        | 26,561            |
| Total comprehensive income and expenses for the period                    | —                                     | —                            | —                                            | —                                        | 23,890                          | (3,904)                            | 19,986               | 3,132                                        | 23,118            |
| Dividend paid                                                             | —                                     | —                            | —                                            | —                                        | —                               | (29,214)                           | (29,214)             | —                                            | (29,214)          |
| At 30 June 2011 (unaudited)                                               | 417,344                               | 630,374                      | 402                                          | 2,814                                    | 58,459                          | 303,765                            | 1,413,158            | 161,179                                      | 1,574,337         |
| At 1 January 2010 (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                       | —                                     | —                            | —                                            | —                                        | (3,278)                         | 3,278                              | —                    | (7,393)                                      | (7,393)           |
| Acquisition of additional interests in subsidiaries                       | —                                     | —                            | —                                            | —                                        | —                               | —                                  | —                    | (18,242)                                     | (18,242)          |
| Difference arising on acquisition of additional interests in subsidiaries | —                                     | —                            | —                                            | —                                        | —                               | (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         |

Note: Capital reserve represented the deemed contribution by a substantial shareholder of the Company in 2007 arising from acquisition of a former 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. 洛陽城南 was disposed of in 2010.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

|                                                                                          | NOTES | Six months ended 30 June        |                                 |
|------------------------------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
|                                                                                          |       | 2011<br>HK\$'000<br>(unaudited) | 2010<br>HK\$'000<br>(unaudited) |
| Net cash from (used in) operating activities                                             |       | 50,363                          | (27,310)                        |
| Net cash (used in) from investing activities                                             |       |                                 |                                 |
| Purchase of property, plant and equipment                                                | 9     | (972)                           | (346)                           |
| Purchase of short-term investments                                                       | 13    | (172,800)                       | —                               |
| Interest received                                                                        |       | 8,016                           | 1,695                           |
| Proceeds from disposal of property, plant and equipment                                  |       | —                               | 1                               |
| Net proceeds from the restructuring of<br>shareholding structure and shareholders' loans |       | —                               | 20,693                          |
| Proceeds from disposals of subsidiaries                                                  |       | —                               | 30,273                          |
| Repayment from a non-controlling shareholder                                             |       | —                               | 5,700                           |
| Repayment from an intermediate holding company                                           |       | —                               | 1,742                           |
|                                                                                          |       | (165,756)                       | 59,758                          |
| Net cash from financing activities                                                       |       |                                 |                                 |
| Net proceeds from corporate bonds                                                        | 16    | 707,572                         | —                               |
| New bank loan raised                                                                     | 15    | 12,000                          | —                               |
| (Repayment to) advance from related companies                                            |       | (105)                           | 108                             |
| Repayment to ultimate holding company                                                    |       | (461)                           | —                               |
| Interest paid                                                                            |       | (1,753)                         | —                               |
| Dividend paid                                                                            |       | (29,214)                        | —                               |
|                                                                                          |       | 688,039                         | 108                             |
| Net increase in cash and cash equivalents                                                |       | 572,646                         | 32,556                          |
| Cash and cash equivalents at beginning of the period                                     |       | 716,617                         | 617,649                         |
| Effect of foreign exchange rate change                                                   |       | 11,866                          | —                               |
| Cash and cash equivalents at end of the period, represented by<br>bank balances and cash |       | 1,301,129                       | 650,205                         |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CHINA CHENGTONG  
DEVELOPMENT GROUP LIMITED

FOR THE SIX MONTHS ENDED 30 JUNE 2011

## 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 ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34").

## 2. PRINCIPAL 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

|                                    |                                                             |
|------------------------------------|-------------------------------------------------------------|
| HKFRSs (Amendments)                | Improvements to HKFRSs issued in 2010                       |
| HKAS 24 (Revised)                  | Related party disclosures                                   |
| HKAS 32 (Amendments)               | Classification of right issues                              |
| HK(IFRIC) - INT 14<br>(Amendments) | Prepayments of a minimum funding requirement                |
| HK(IFRIC) - INT 19                 | Extinguishing financial liabilities with equity instruments |

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements except as described below.

HKAS 24 "Related party disclosures (Revised)" ("HKAS 24 (Revised)") has been revised on the following two aspects: (a) HKAS 24 (Revised) introduces a partial exemption from the disclosure requirements for government-related entities and (b) HKAS 24 (Revised) has changed the definition of a related party.

The Company is a government related entity. In its annual consolidated financial statements for the year ended 31 December 2009, the Group had applied early the partial exemption from the disclosure requirements for government-related entities. In the current interim period, the Group has applied for the first time the revised definition of a related party as set out in HKAS 24 (Revised).

HKAS 24 (Revised) requires retrospective application. The application of HKAS 24 (Revised) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. The related party disclosures are set out in note 18 to the condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

|                      |                                                                  |
|----------------------|------------------------------------------------------------------|
| HKFRS 7 (Amendments) | Disclosures - Transfers of financial assets <sup>1</sup>         |
| HKFRS 9              | Financial instruments <sup>2</sup>                               |
| HKFRS 10             | Consolidated financial statements <sup>2</sup>                   |
| HKFRS 11             | Joint arrangements <sup>2</sup>                                  |
| HKFRS 12             | Disclosure of interests in other entities <sup>2</sup>           |
| HKFRS 13             | Fair value measurement <sup>2</sup>                              |
| HKAS 1 (Amendments)  | Presentation of items of other comprehensive income <sup>3</sup> |
| HKAS 12 (Amendments) | Deferred tax: Recovery of underlying assets <sup>4</sup>         |
| HKAS 19 (Revised)    | Employee benefits <sup>2</sup>                                   |
| HKAS 27 (Revised)    | Separate financial statements <sup>2</sup>                       |
| HKAS 28 (Revised)    | Investments in associates and joint ventures <sup>2</sup>        |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.

The amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the People's Republic of China ("PRC") that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

Other than disclosed above, the directors of the Company anticipate that the application of these new and revised standards and amendments will have no material impact on the results and 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 companies are aggregated into same segment.

The Group's reportable operating segments under HKFRS 8 for the six months ended 30 June 2010 included two operations: (i) property development and (ii) property investment. During the second half of 2010, the Group had developed two new operations. Therefore, there are four reportable segments for the six months ended 30 June 2011, namely (i) property development; (ii) property investment; (iii) financial leasing and (iv) trading of coal.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CHINA CHENGTONG  
DEVELOPMENT GROUP LIMITED

FOR THE SIX MONTHS ENDED 30 JUNE 2011

## 3. TURNOVER AND SEGMENT INFORMATION (Continued)

The Group's reportable segments under HKFRS 8 are the following four operations:

- (1) Property development - holding land for property development projects;
- (2) Property investment - providing rental services and holding investment properties for appreciation;
- (3) Financial leasing - providing financial leasing service including arranging sales and leaseback transaction; and
- (4) Trading of Coal - trading of coal in the PRC.

### Segment revenues and results

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

#### For the six months ended 30 June 2011

|                                                                     | Property<br>investment<br>HK\$'000 | Property<br>development<br>HK\$'000 | Financial<br>leasing<br>HK\$'000 | Trading<br>of coal<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------------------------------------|------------------------------------|-------------------------------------|----------------------------------|--------------------------------|-------------------|
| Turnover                                                            |                                    |                                     |                                  |                                |                   |
| Segment turnover - external sales                                   | 1,796                              | 9,507                               | 5,327                            | 104,349                        | 120,979           |
| Result                                                              |                                    |                                     |                                  |                                |                   |
| Segment result (Note (a))                                           | 296                                | (2,854)                             | 6,656                            | 1,337                          | 5,435             |
| Gain on change in fair value of<br>investment properties (Note (b)) |                                    |                                     |                                  |                                | 1,428             |
| Gain on change in fair value of<br>held-for-trading securities      |                                    |                                     |                                  |                                | 240               |
| Unallocated finance cost                                            |                                    |                                     |                                  |                                | (4,165)           |
| Unallocated corporate expenses                                      |                                    |                                     |                                  |                                | (4,358)           |
| Unallocated other income                                            |                                    |                                     |                                  |                                | 520               |
| Loss before taxation                                                |                                    |                                     |                                  |                                | (900)             |

### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

For the six months ended 30 June 2011 (Continued)

Notes:

|                                                                                                                         | Property<br>investment<br>HK\$'000 | Property<br>development<br>HK\$'000 | Financial<br>leasing<br>HK\$'000 | Trading<br>of coal<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|----------------------------------|--------------------------------|-------------------------|-------------------|
| (a) Amounts included in the measure<br>of segment results:                                                              |                                    |                                     |                                  |                                |                         |                   |
| Interest income from bank deposits and<br>bills receivable                                                              | 5,394                              | 251                                 | 1,786                            | 102                            | 483                     | 8,016             |
| (b) Amounts regularly provided to the chief<br>operating decision maker for the analysis<br>of the group's performance: |                                    |                                     |                                  |                                |                         |                   |
| Gain on change in fair value of<br>investment properties                                                                | 1,428                              | —                                   | —                                | —                              | —                       | 1,428             |

For the six months ended 30 June 2010

|                                                                     | Property<br>investment<br>HK\$'000 | Property<br>development<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------------------------------------|------------------------------------|-------------------------------------|-------------------|
| Turnover                                                            |                                    |                                     |                   |
| Segment turnover - external sales                                   | 329                                | 14,664                              | 14,993            |
| Result                                                              |                                    |                                     |                   |
| Segment result (Note (a))                                           | (863)                              | (2,024)                             | (2,887)           |
| Gain on change in fair value of<br>investment properties (Note (b)) |                                    |                                     | 2,622             |
| Gain on change in fair value of<br>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            |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

For the six months ended 30 June 2010 (Continued)

Notes:

|                                                                                                                   | Property<br>investment<br>HK\$'000 | Property<br>development<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-------------------------|-------------------|
| (a) Amounts included in the measure of segment results:                                                           |                                    |                                     |                         |                   |
| Interest income from bank deposits and bills receivable                                                           | 1,138                              | 375                                 | 182                     | 1,695             |
| (b) Amounts regularly provided to the chief operating decision maker for the analysis of the group's performance: |                                    |                                     |                         |                   |
| Gain on change in fair value of investment properties                                                             | 2,622                              | —                                   | —                       | 2,622             |

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, gain on disposals of subsidiaries, fair value change of investment properties and held-for-trading securities and finance cost of corporate bonds. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

#### Segment assets

The following is an analysis of the Group's assets by reportable segments:

|                            | 30.6.2011<br>HK\$'000 | 31.12.2010<br>HK\$'000 |
|----------------------------|-----------------------|------------------------|
| Property investment        | 677,967               | 550,215                |
| Property development       | 761,599               | 730,888                |
| Financial leasing          | 247,556               | 344,797                |
| Trading of coal            | 77,510                | 59,299                 |
| Total segment assets       | 1,764,632             | 1,685,199              |
| Unallocated assets         |                       |                        |
| — other unallocated assets | 8,393                 | 14,434                 |
| — bank balances and cash   | 706,988               | 15,060                 |
|                            | 715,381               | 29,494                 |
| Total assets               | 2,480,013             | 1,714,693              |

#### 4. OTHER INCOME

|                                                                     | Six months ended 30 June |                  |
|---------------------------------------------------------------------|--------------------------|------------------|
|                                                                     | 2011<br>HK\$'000         | 2010<br>HK\$'000 |
| Interest income from bank deposit and bills receivable              | 8,016                    | 1,695            |
| Reimbursement of shared claims expenditure from a fellow subsidiary | —                        | 1,746            |
| Penalty income from overdue finance lease receivable                | 918                      | —                |
| Exchange gain                                                       | 15                       | 101              |
| Others                                                              | 1,383                    | —                |
|                                                                     | <b>10,332</b>            | <b>3,542</b>     |

#### 5. TAXATION CHARGE

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

|                                   | Six months ended 30 June |                  |
|-----------------------------------|--------------------------|------------------|
|                                   | 2011<br>HK\$'000         | 2010<br>HK\$'000 |
| The taxation charge comprises:    |                          |                  |
| Current tax:                      |                          |                  |
| PRC Enterprise Income Tax         | 1,939                    | —                |
| PRC land appreciation tax ("LAT") | 72                       | —                |
|                                   | <b>2,011</b>             | <b>—</b>         |
| Underprovision in prior years:    |                          |                  |
| PRC Enterprise Income Tax         | 31                       | —                |
| Deferred taxation                 | 501                      | 656              |
| Taxation charge for the period    | <b>2,543</b>             | <b>656</b>       |

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 6. (LOSS) PROFIT FOR THE PERIOD

|                                                                                                           | Six months ended 30 June |                  |
|-----------------------------------------------------------------------------------------------------------|--------------------------|------------------|
|                                                                                                           | 2011<br>HK\$'000         | 2010<br>HK\$'000 |
| (Loss) profit for the period has been arrived at after charging (crediting):                              |                          |                  |
| Depreciation of property, plant and equipment (net of amount capitalised in properties under development) | 522                      | 1,019            |
| Net exchange gain                                                                                         | (15)                     | (101)            |
| Loss on disposal of property, plant and equipment                                                         | —                        | 4                |
| Interest income                                                                                           |                          |                  |
| — bank deposits and bills receivable                                                                      | (8,016)                  | (1,695)          |
| — finance lease receivables (included in turnover)                                                        | (4,566)                  | —                |
| Reimbursement of shared claims expenditure from a fellow subsidiary                                       | —                        | (1,746)          |
| Expenses capitalised in properties under development:                                                     |                          |                  |
| Depreciation of property, plant and equipment                                                             | 68                       | 56               |
| Finance costs                                                                                             | 1,871                    | 1,413            |
| Staff costs (excluding directors' emoluments)                                                             | 684                      | 390              |

### 7. DIVIDEND

During the current interim period, a final dividend of HK0.7 cents per share in respect of the year ended 31 December 2010 (for the six months ended 30 June 2010: nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to approximately HK\$29,214,000 (for the six months ended 30 June 2010: nil). The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011.

### 8. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the period of HK\$3,904,000 attributable to the owners of the Company (for the six months ended 30 June 2010: profit of HK\$11,492,000) and on 4,173,434,227 shares (for the six months ended 30 June 2010: 4,173,434,227 shares).

There is no diluted (loss) earnings per share as there was no potential ordinary share outstanding for both periods.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK\$972,000 (six months period ended 30 June 2010: HK\$346,000) on the acquisition of property, plant and equipment.

The fair values of the Group's investment properties at 30 June 2011 and 31 December 2010 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The gain on change in fair value during the six months ended 30 June 2011 amounted to HK\$1,428,000 (during the year ended 31 December 2010: gain on change in fair value amounting to HK\$2,760,000).

## 10. RECEIVABLES UNDER FINANCE LEASE ARRANGEMENT

The Group commenced the provision of finance lease service in the PRC in 2010. Interest rates implicit in the leases are determined at the inception date of the finance lease agreements, and are based on benchmark rate offered by the People's Bank of China.

|                                                        | Minimum lease payments |                        | Present value of minimum lease payments |                        |
|--------------------------------------------------------|------------------------|------------------------|-----------------------------------------|------------------------|
|                                                        | 30.6.2011<br>HK\$'000  | 31.12.2010<br>HK\$'000 | 30.6.2011<br>HK\$'000                   | 31.12.2010<br>HK\$'000 |
| Finance lease receivables comprise amounts receivable: |                        |                        |                                         |                        |
| Within one year                                        | 20,080                 | 60,384                 | 16,186                                  | 60,154                 |
| In more than one year but not exceeding two years      | 14,474                 | —                      | 12,484                                  | —                      |
| In more than two year but not exceeding three years    | 5,263                  | —                      | 5,085                                   | —                      |
|                                                        | 39,817                 | 60,384                 | 33,755                                  | 60,154                 |
| Less: Unearned finance income                          | (6,062)                | (230)                  | N/A                                     | N/A                    |
| Present value of minimum lease payment receivables     | 33,755                 | 60,154                 | 33,755                                  | 60,154                 |
| Analysed for reporting purposes as:                    |                        |                        |                                         |                        |
| Current assets                                         |                        |                        | 16,186                                  | 60,154                 |
| Non-current assets                                     |                        |                        | 17,569                                  | —                      |
|                                                        |                        |                        | 33,755                                  | 60,154                 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 10. RECEIVABLES UNDER FINANCE LEASE ARRANGEMENT (Continued)

The Group entered into finance lease agreements pursuant to which financial leasing customers (the "lessees") sold their equipment to the Group and leased back equipment with lease periods ranging from 3 months to 3 years. Effective interest rates ranged from approximately 9.38% to 16.67% (2010:9.38%) per annum. In addition, the lessees have an option to purchase the leased equipment at the end of respective lease terms at a consideration of RMB100 (equivalent to approximately HK\$120). In addition to the leased equipment, the Group obtained land and buildings as collateral or guarantees provided by the independent third parties.

### 11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the invoice date:

|                     | 30.6.2011<br>HK\$'000 | 31.12.2010<br>HK\$'000 |
|---------------------|-----------------------|------------------------|
| Within 1 month      | 16,120                | —                      |
| Two to three months | 10,463                | 37,076                 |
|                     | 26,583                | 37,076                 |

### 12. AMOUNTS DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due from a non-controlling shareholder of a subsidiary bears interest at 7.68% (2010: 7.02%) per annum, which is 120% of the benchmark rate offered by the People's Bank of China.

### 13. SHORT-TERM INVESTMENTS

During the period, the Group purchased short-term investments from two PRC banks. Short-term investments represent investments in treasury bills and commercial papers of certain corporations and specific banks in the PRC with maturity within one to three months and an estimated return ranging from 4.15% to 5.20% per annum. The accrued and unpaid interest will be received upon maturity. The Group does not have the right to redeem the investments before maturity. The directors consider that the carrying value of short-term investments approximate their fair value at end of the reporting period as it is highly liquid and credit risk involved is insignificant. Included in the amount of short-term investments of (i) HK\$28,800,000 is with maturity in July 2011 and (ii) HK\$144,000,000 is with maturity in September 2011.

#### 14. TRADE AND OTHER PAYABLES

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

|                          | <b>30.6.2011</b> | 31.12.2010 |
|--------------------------|------------------|------------|
|                          | <b>HK\$'000</b>  | HK\$'000   |
| Within one month         | <b>31,331</b>    | 375        |
| Two to three months      | <b>317</b>       | 1,040      |
| Three months to one year | <b>1,215</b>     | 21         |
|                          | <b>32,863</b>    | 1,436      |

#### 15. SECURED BANK LOANS

|                                              | <b>30.6.2011</b> | 31.12.2010 |
|----------------------------------------------|------------------|------------|
|                                              | <b>HK\$'000</b>  | HK\$'000   |
| Secured bank loans repayable within one year | <b>60,000</b>    | 47,200     |

The bank loans are used for financing the property development projects held by the Group. The bank loans are secured by the land use rights included in property held for development which amounting to HK\$106,800,000 (2010:HK\$105,020,000) and carry interest rates ranging from approximately 6.31% to 6.63% per annum (2010: carried interest rate at 5.81% per annum), which are 100% to 105% (2010:100%) of the benchmark rate offered by the People's Bank of China.

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### 16. CORPORATE BONDS

As at 30 June 2011, the corporate bonds are fixed rate bonds issued by the Company (the "Bonds"). The Bonds were issued on 19 May 2011 with a principal amount of RMB600,000,000 (equivalent to approximately HK\$720,000,000) and a fixed interest at 4.5% per annum.

|                 | <b>30.6.2011</b><br><b>HK\$'000</b> | 31.12.2010<br>HK\$'000 |
|-----------------|-------------------------------------|------------------------|
| Corporate bonds | <b>707,990</b>                      | —                      |

The Bonds will mature on 19 May 2014 but may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption), at their principal amount, together with interest accrued to the date for redemption. The redemption option of the Company will only be exercisable in the event of changes in laws or regulations in Hong Kong or PRC, which leading the Company to pay additional amounts for the additional tax imposed to the bondholders.

Net proceeds from the issue of the Bonds was reduced by transaction cost amounted to approximately RMB10,398,000 (equivalent to approximately HK\$12,478,000), in which amounting to HK\$50,000 was not yet paid as at 30 June 2011 and the amount has been included in the trade and other payables of the condensed consolidated statement of financial position. The effective interest of the Bonds is approximately 5.13% per annum.

### 17. SHARE CAPITAL

|                                                                       | <b>Number of<br/>shares<br/>'000</b> | <b>Share<br/>capital<br/>HK\$'000</b> |
|-----------------------------------------------------------------------|--------------------------------------|---------------------------------------|
| Ordinary shares of HK\$0.1 each issued and fully paid                 |                                      |                                       |
| At 1 January 2010, 30 June 2010, 31 December 2010 and<br>30 June 2011 | 4,173,434                            | 417,344                               |

## 18. RELATED PARTY TRANSACTIONS

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

### (a) Transactions and balances with related parties

| Name of related parties                                                           | Nature of transactions                                          | Six months ended 30 June |                  |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------|------------------|
|                                                                                   |                                                                 | 2011<br>HK\$'000         | 2010<br>HK\$'000 |
| The wholly-owned subsidiaries of China Chengtong Holdings Group Limited ("CCHG"): |                                                                 |                          |                  |
| 中國物流有限公司 (formerly known as 中國物流公司)                                               | Income from operating lease arrangement                         | 372                      | 60               |
| 中國物資儲運總公司<br>瀋陽虎石台一庫                                                              | Income from operating lease arrangement                         | 1,000                    | —                |
| 嘉成企業發展有限公司                                                                        | Reimbursement of shared claims expenditure                      | —                        | 1,746            |
| Former non-controlling shareholder of subsidiaries:                               |                                                                 |                          |                  |
| 北京世紀尊博投資有限公司                                                                      | 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 18. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions and balances with other government-related entities

The Group itself is part of a larger group of companies controlled by CCHG (CCHG and its subsidiaries are referred to as the "CCHG Group") which is a stated-owned enterprise under the direct supervision of the State Council of the PRC. The directors consider that the Company is ultimately controlled by the government of PRC 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").

Apart from transactions with CCHG Group, the Group has transactions with other government-related entities included but not limited to the following:

- sales of coal; and
- purchases of coal.

Details of the transactions and balances with relevant government-related entities are set out below:

|                                                | Six months ended 30 June |                   |
|------------------------------------------------|--------------------------|-------------------|
|                                                | 2011                     | 2010              |
|                                                | HK\$'000                 | HK\$'000          |
| Transactions with government-related entities: |                          |                   |
| Sales of coal                                  | 104,242                  | —                 |
| Purchases of coal                              | 43,146                   | —                 |
|                                                | <b>30.6.2011</b>         | <b>31.12.2010</b> |
|                                                | <b>HK\$'000</b>          | <b>HK\$'000</b>   |
| Balances with government-related entities:     |                          |                   |
| Trade receivables                              | 26,583                   | —                 |

In addition, the Group has entered into various transactions, including other purchases and operating expenses with other government-related entities. In the opinion of the directors, except for the transactions and balances disclosed above, other transactions and balances are considered as individually and collectively insignificant to the operation of the Group during the period.

In addition, the Group has deposits placements, short-term investments, borrowings, corporate bonds and other general banking facilities with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

## 18. RELATED PARTY TRANSACTIONS (Continued)

### (c) Remuneration of key management personnel

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

|                               | Six months ended 30 June |                  |
|-------------------------------|--------------------------|------------------|
|                               | 2011<br>HK\$'000         | 2010<br>HK\$'000 |
| Short-term benefits and bonus | 2,858                    | 2,084            |
| Post-employment benefits      | 19                       | 62               |
|                               | <b>2,877</b>             | <b>2,146</b>     |

## 19. 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:

|                               | 30.6.2011<br>HK\$'000 | 31.12.2010<br>HK\$'000 |
|-------------------------------|-----------------------|------------------------|
| Within one year               | 2,483                 | 2,531                  |
| In the second to fourth years | 722                   | 1,990                  |
|                               | <b>3,205</b>          | <b>4,521</b>           |

### As lessor

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

|                                        | 30.6.2011<br>HK\$'000 | 31.12.2010<br>HK\$'000 |
|----------------------------------------|-----------------------|------------------------|
| Within one year                        | 1,723                 | 2,053                  |
| In the second to fifth years inclusive | 2,473                 | 1,576                  |
| More than fifth years                  | 308                   | —                      |
|                                        | <b>4,504</b>          | <b>3,629</b>           |

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### 20. COMMITMENT

In October 2008, the Group 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”), the intermediate holding company of the Company. The transaction 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 and announcements dated 30 October 2008, 28 April 2009, 30 October 2009, 30 April 2010 and 29 October 2010.

### 21. EVENT AFTER THE END OF THE INTERIM PERIOD

The Company entered into an agreement dated 27 July 2011 and a supplemental agreement dated 29 August 2011 with its ultimate holding company, CCHG and its intermediate holding company, CCHK, for the acquisition of interests in several subsidiaries of CCHG at a consideration of RMB254,000,000 (subject to adjustment). These subsidiaries are mainly engaged in hotel operation and provision of marine entertainment services and sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts in Hainan Province, the PRC. The proposed acquisition is subject to the approval of shareholders of the Company and has not yet been completed up to the date of this report. Details of the proposed acquisition are set out in the Company’s announcements dated 27 July 2011 and 29 August 2011.

## I. INTERIM DIVIDEND

The board of directors (“**Directors**”) (“**Board**”) of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: nil).

## II. FINANCIAL RESULTS

Turnover of the Group for the period under review was approximately HK\$120.98 million, representing a significant increase as compared with approximately HK\$15 million for the same period last year. The increase was mainly attributable to the substantial turnover contribution from each of the Group’s newly-commenced trading of coal and financial leasing businesses, as well as the sales recognised from section I of the initial development area of “Chengtong International City”, a property development project of Chengtong Dafeng Harbour Development Limited (“**Dafeng Development**”), a subsidiary of the Group, while the turnover for the same period last year comprised mainly of the sales recognised from property development project in Beijing, PRC.

During the period under review, the Group continued the development of its existing principal activities of property development and property investment, its trading of coal and financial leasing businesses which were newly commenced last year. All these have contributed total gross profit of approximately HK\$9.8 million (for the six months ended 30 June 2010: approximately HK\$4.8 million) to the Group.

The Group recorded a loss attributable to shareholders of approximately HK\$3.90 million for the period under review, as compared with a profit of approximately HK\$11.49 million for the same period last year. The profit for the corresponding period last year was mainly attributable to the gain of approximately HK\$17 million from disposals of subsidiaries during the same period last year.

## III. BUSINESS REVIEW

### 1. Property Development

#### (I) Zhucheng of Shandong Province

CCT-Champs-Elysees, located in the downtown of Zhucheng of Shandong Province and adjacent to the scenic Dinosaur Park, has a total gross floor area of approximately 305,000 square metres and a site area of approximately 146,006 square metres. Phase I has a total gross floor area of approximately 80,000 square metres, of which construction of 79,200 square metres has been commenced since April 2010. During the period under review, main construction works of Phase I were basically completed, and all ancillary works proceeded well, laying down a solid foundation for smooth and timely delivery.

Phase II of CCT-Champs-Elysees has total gross floor area of approximately 68,000 square metres, of which construction of approximately 33,000 square metres has been commenced since April 2011.

As of 30 June 2011, 302 apartments of Phase I have been put on market for sale and pre-sale contracts of 145 apartments (some includes ancillary apartment and garage) with an aggregate gross floor area of approximately 20,600 square metres have been signed. The pre-sale contracts amounting to approximately HK\$85 million in total, of which approximately HK\$67.14 million has been received as deposits. Delivery is expected to take place by the end of 2011 and the revenue will then be recognised.

### III. BUSINESS REVIEW (Continued)

#### 1. Property Development (Continued)

##### (II) Dafeng of Jiangsu Province

Dafeng Development holds a parcel of industrial land and four parcels of residential and commercial land in Dafeng City, Jiangsu Province. During the period under review, Dafeng Development continued the development of section I of the initial development area of "Chengtong International City", which is located to the north of one of the aforesaid four parcels of residential and commercial land. This project has a site area of approximately 16,500 square metres with gross floor area of approximately 16,000 square metres, comprising residential buildings, serviced apartments, office buildings and commercial units.

As of 30 June 2011, registration of completion in respect of the principal construction works of section I of the initial development area of "Chengtong International City" was made, and the works for all ancillary facilities were completed. During the period under review, 41 apartments of the project were sold and delivered, and sales of approximately HK\$9.5 million was recorded.

Dafeng Development will, depending on property market conditions, commence the development of section II of the initial development area of "Chengtong International City" as and when appropriate.

#### 2. Property Investment — Land Resources Development

誠通實業投資有限公司 (unofficial translation as Chengtong Industrial Investment Limited) ("**Chengtong Industrial**"), a wholly-owned subsidiary of the Group, holds three parcels of land located in Changzhou of Jiangsu Province, Shenyang of Liaoning Province and Guilin of Guangxi Province, together with the warehouse complexes or plants erected thereon, with site areas of approximately 84,742 square metres, 247,759 square metres and 55,412 square metres respectively.

During the period under review, all of the three parcels of land were leased out and recorded rental income of approximately HK\$1.8 million. In addition, the Group also proactively explored and studied various means to enhance and realise the potential value of these parcels of land, including but not limited to improving their ancillary facilities and accelerating the change of land use from industrial purpose to commercial purpose.

#### 3. Trading of Coal

The Group commenced trading of coal business through 大豐瑞能燃料有限公司 (unofficial translation as Dafeng Ruineng Fuel Company Limited) ("**Dafeng Ruineng**"), an indirect 51% owned subsidiary (holding through Dafeng Development) of the Group, in the second half of 2010. During the period under review, Dafeng Ruineng sold approximately 128,000 tonnes of coal and recorded sales of approximately HK\$104 million.

### III. BUSINESS REVIEW (Continued)

#### 4. Financial Leasing

The Group commenced financial leasing business through its wholly-owned subsidiary, 誠通融資租賃有限公司 (unofficial translation as Chengtong Financial Leasing Company Limited) (“**Chengtong Financial Leasing**”) by the end of last year. During the period under review, Chengtong Financial Leasing mainly focused on the development of the financial leasing business in the fields of energy saving, emission reduction and energy performance contracting, as well as opening up structured finance business, and recorded revenue of approximately HK\$5.33 million and profit before taxation (including interest income from bank deposit of approximately HK\$1.79 million) of approximately HK\$6.66 million.

### IV. OUTLOOK

Although Mainland China maintained high GDP growth in the first half of the year, its macro-control over property industry has been tightening. The PRC government continued its prudent monetary policy, while global inflation keeps rising and the crisis of European debt and rating of the United States’ sovereign debt persists. Under such circumstances, each of the Group’s businesses has been affected to various extents. In our opinion, the real estate industry will still be impacted by the macro-control policy in the second half of the year, and customers’ purchasing power will be further weakened as property purchase restrictions are extended to second tier and third tier cities and the Mainland China commercial banks continue to tighten mortgage loans. In response, the Group will take proactive property sales strategies, speed up the collection of accounts receivable from property sales and strictly control cash flows. The Group will also rationalize the portfolio of its existing land resources, dispose of industrial lands with rapid value appreciation at appropriate time and select additions to our commercial and residential land bank in a prudent manner. In addition, the Group will make use of the financing platform of Chengtong Financial Leasing to earn higher capital gains. Furthermore, the Group will aggressively develop bulk commodity trade such as trading of coal etc and closely monitor the opportunities for acquisition of upstream resources. Given the Group’s rational assets and liabilities structure and ample cash resources, the management is very confident of the successful development of each business of the Group and its seizing any possible investment opportunities.

### GEARING RATIO

As at 30 June 2011, the Group's gearing ratio calculated on the basis of bank loan, other loans and corporate bonds of approximately HK\$768.59 million and total assets of approximately HK\$2,480.01 million was 31% (31 December 2010: 3%).

### LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy during the period under review. As at 30 June 2011, the Group had cash and bank balances amounting to approximately HK\$1,305.33 million (31 December 2010: approximately HK\$720.82 million), and current assets and current liabilities of approximately HK\$2,221.68 million and HK\$195.24 million respectively (31 December 2010: approximately HK\$1,479.66 million and HK\$132.35 million respectively). Out of the cash and bank balances of approximately HK\$1,305.33 million at 30 June 2011, 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.

As at 30 June 2011, the Group's corporate bonds amounted to approximately HK\$707.99 million were issued on 19 May 2011 and will mature on 19 May 2014. The Group's bank borrowings amounted to HK\$60 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. The revenue of the Group are mainly denominated in Renminbi ("RMB"). The bonds issued during the period under review were also denominated in RMB. The Group considers that the appreciation in RMB does not impose a significant foreign exchange risk to the Group.

### HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2011, the Group employed a total of 83 employees, of which 10 were based in Hong Kong and 73 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 are decided by the remuneration committee of the Company, 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

As at 30 June 2011, the bank loans of HK\$60 million were secured by the land use rights included in property held for development which amounting to HK\$106.80 million (31 December 2010: HK\$105.02 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 CCHK, the intermediate holding company of the Company. The transaction 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 and announcements dated 30 October 2008, 28 April 2009, 30 October 2009, 30 April 2010 and 29 October 2010.

### EVENT AFTER THE END OF THE INTERIM PERIOD

The Company entered into an agreement dated 27 July 2011 and a supplemental agreement dated 29 August 2011 with its ultimate holding company, CCHG, and its intermediate holding company, CCHK, for the acquisition of interests in several subsidiaries of CCHG at a consideration of RMB254,000,000 (subject to adjustment). These subsidiaries are mainly engaged in hotel operation, provision of marine entertainment services and sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts in Hainan Province, the PRC. The proposed acquisition is subject to the approval of shareholders of the Company and has not yet been completed up to the date of this report. Details of the proposed acquisition are set out in the Company's announcements dated 27 July 2011 and 29 August 2011.

## OTHER INFORMATION

CHINA CHENGTONG  
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### PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has 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 2011, 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 of Hong Kong Limited (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%                          |

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, 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 (" <b>World Gain</b> ")         | Beneficial owner<br>(Note 2)       | 2,286,343,570 (L)                       | 54.78%                                         |
| China Chengtong Hong Kong Company Limited (" <b>CCHK</b> ") | Controlled corporation<br>(Note 2) | 2,286,343,570 (L)                       | 54.78%                                         |
|                                                             | Beneficial owner                   | 705,539,557 (L)<br>(Note 3)             | 16.91%                                         |
| China Chengtong Holdings Group Limited (" <b>CCHG</b> ")    | Controlled corporation<br>(Note 2) | 2,991,883,127 (L)                       | 71.69%                                         |

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

### Substantial shareholders of the Company *(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).

Save as disclosed above, as at 30 June 2011, no other person had any interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 24 June 2003, the Company has adopted a share option scheme. During the period under review, no share option had been granted, exercised, cancelled or lapsed. There was no outstanding share option as at 1 January 2011 and 30 June 2011.

## 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 (the "**Model Code**"). Having made specific enquiry to each of the directors of the Company, the Company has received confirmations from all directors of the Company that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2011.

The Company had also set written guidelines on terms no less exacting than the Model Code ("**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.

## OTHER INFORMATION

CHINA CHENG TONG  
DEVELOPMENT GROUP LIMITED

## CHANGES IN INFORMATION ON DIRECTORS

Subsequent to the date of the 2010 annual report of the Company, 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. Tsui Yiu Wa, Alec, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Summit Ascent Holdings Limited (formerly known as “Arnhold Holdings Limited”) (a company listed on the main Board of the Stock Exchange) with effect from 25 March 2011.
- Mr. Kwong Che Keung, Gordon, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of China COSCO Holdings Company Limited (a company listed on the Main Board of the Stock Exchange) with effect from 17 May 2011 and has ceased to be an independent non-executive director of COSCO International Holdings Limited and Beijing Capital International Airport Company Limited both in June 2011.
- Mr. Ba Shusong, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Temujin International Investments Limited (a company listed on the Main Board of the Stock Exchange) in April 2011 and has resigned in August 2011.

## 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 (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011, save as disclosed below:

### Code provision E.1.2 of the Code

Under the code provision E.1.2 of the Code, the chairman of the Board shall attend the annual general meeting of the Company. Due to other business commitment, Mr. Zhang Guotong, the chairman of the Board was unable to attend the annual general meeting of the Company held on 23 May 2011, and Mr. Yuan Shaoli, the vice chairman of the Company, presided as chairman at the annual general meeting.

## 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 of the Company has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2011 in conjunction with auditor of the Company.

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

Hong Kong, 29 August 2011