



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

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

2009
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhang Guotong (*Chairman*)
Wang Hongxin (*Managing Director*)
Wang Tianlin (*Deputy General Manager*)

Non-Executive Directors

Gu Laiyun
Xu Zhen

Independent Non-Executive Directors

Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Lao Youan
Ba Shusong

AUDIT COMMITTEE

Kwong Che Keung, Gordon (*Chairman*)
Tsui Yiu Wa, Alec
Lao Youan
Ba Shusong
Xu Zhen

REMUNERATION COMMITTEE

Tsui Yiu Wa, Alec (*Chairman*)
Kwong Che Keung, Gordon
Lao Youan
Zhang Guotong

NOMINATION COMMITTEE

Zhang Guotong (*Chairman*)
Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Lao Youan

COMPANY SECRETARY

Lei Ching (*HKICS, ICSA, FCCA*)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

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www.hk217.com
E-mail: 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
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SHARE LISTING

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



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 23, which comprises the condensed consolidated statement of financial position of China Chengtong Development Group Limited (the "Company") and its subsidiaries as of 30 June 2009 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
1 September 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | NOTES | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2009 HK\$'000 (Unaudited) | 2008 HK\$'000 (Unaudited) |
| Turnover | 3 | 4,476 | 10,240 |
| Cost of sales | | (6,017) | (6,082) |
| Gross (loss) profit | | (1,541) | 4,158 |
| Other income | | 665 | 2,833 |
| Selling expenses | | (41) | (163) |
| Administrative expenses | | (12,547) | (15,916) |
| Increase in fair value of held-for-trading securities | | 2,289 | 1,403 |
| Gain on disposal of a subsidiary | 18 | 4,308 | — |
| Gain on disposal of an associate | 9 | 1,130 | — |
| Provision for claims | 15 | (4,520) | (1,900) |
| Share of result of an associate | | 6,102 | (1,179) |
| Share of result of a jointly controlled entity | | — | (668) |
| Finance costs | | (1,172) | — |
| Loss before taxation | | (5,327) | (11,432) |
| Income tax credit | 4 | 34 | 353 |
| Loss for the period | 5 | (5,293) | (11,079) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (4,137) | (11,079) |
| Minority interests | | (1,156) | — |
| | | (5,293) | (11,079) |
| Loss per share | 7 | | |
| — Basic | | HK(0.154) cent | HK(0.414) cent |
| — Diluted | | HK(0.154) cent | HK(0.414) cent |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | NOTE | Six months ended 30 June | |
|---|------|---------------------------------|---------------------------------|
| | | 2009 HK\$'000 (Unaudited) | 2008 HK\$'000 (Unaudited) |
| Loss for the period | 5 | (5,293) | (11,079) |
| Other comprehensive income | | | |
| Exchange differences arising during the period | | — | 22,235 |
| Total comprehensive income and expense for the period | | (5,293) | 11,156 |
| Total comprehensive income and expense attributable to: | | | |
| Owners of the Company | | (4,137) | 11,156 |
| Minority interests | | (1,156) | — |
| | | (5,293) | 11,156 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

| | NOTES | 30.6.2009 HK\$'000 (Unaudited) | 31.12.2008 HK\$'000 (Audited) |
|--|-------|--------------------------------------|-------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 3,082 | 4,338 |
| Investment properties | 8 | 89,270 | 89,270 |
| Interests in associates | 9 | — | 50,768 |
| Amount due from an associate | 10 | 112,423 | 117,415 |
| Restricted bank balance | | 4,200 | 4,200 |
| | | 208,975 | 265,991 |
| Current assets | | | |
| Properties held for sale | | 19,435 | 25,259 |
| Properties held for development | | 271,365 | 270,742 |
| Amount receivable from sale of properties | | — | 376,654 |
| Amount receivable from disposal of a subsidiary | 18 | 44,601 | — |
| Trade and other receivables | 11 | 7,597 | 130,278 |
| Amounts due from associates | | — | 72 |
| Held-for-trading securities | | 20,946 | — |
| Bank balances and cash | | 198,164 | 95,590 |
| | | 562,108 | 898,595 |
| Current liabilities | | | |
| Trade and other payables | 12 | 37,317 | 119,527 |
| Provision for claims | 15 | 9,007 | 4,487 |
| Deposits received on sale of properties | | 7,182 | 10,553 |
| Amounts due to related companies | | — | 354 |
| Amounts due to minority shareholders of subsidiaries | | 3,978 | 3,979 |
| Amount due to a substantial shareholder | | — | 5,752 |
| Tax payable | | 3,320 | 15,620 |
| Bank loan | 13 | — | 164,980 |
| Unsecured other loans | | 3,260 | 3,260 |
| Loans from a minority shareholder of subsidiaries | | 36,053 | 36,053 |
| | | 100,117 | 364,565 |
| Net current assets | | 461,991 | 534,030 |
| Total assets less current liabilities | | 670,966 | 800,021 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

| | NOTE | 30.6.2009 HK\$'000 (Unaudited) | 31.12.2008 HK\$'000 (Audited) |
|--|------|--------------------------------------|-------------------------------------|
| Non-current liabilities | | | |
| Deferred tax liabilities | | 4,945 | 6,846 |
| Net assets | | 666,021 | 793,175 |
| Capital and reserves | | | |
| Share capital | 14 | 267,891 | 267,891 |
| Share premium and reserves | | 391,531 | 395,668 |
| Equity attributable to owners of the Company | | 659,422 | 663,559 |
| Minority interests | | 6,599 | 129,616 |
| Total equity | | 666,021 | 793,175 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Share capital HK\$'000 | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Capital reserve HK\$'000 (Note) | Exchange reserve HK\$'000 | Share options reserve HK\$'000 | Accumulated profits HK\$'000 | Attributable to owners of the Company HK\$'000 | Minority interests HK\$'000 | Total equity HK\$'000 |
|--|---------------------------|---------------------------|--|---------------------------------------|------------------------------|-----------------------------------|---------------------------------|---|--------------------------------|--------------------------|
| At 1 January 2008 | 267,202 | 212,096 | 402 | 2,814 | 14,560 | 1,012 | 135,310 | 633,396 | — | 633,396 |
| Profit for the year | — | — | — | — | — | — | 5,778 | 5,778 | 36,485 | 42,263 |
| Exchange difference arising on translation | — | — | — | — | 22,787 | — | — | 22,787 | (1,024) | 21,763 |
| Total comprehensive income for the year | — | — | — | — | 22,787 | — | 5,778 | 28,565 | 35,461 | 64,026 |
| Deemed acquisition of a subsidiary by acquiring additional interest in a jointly controlled entity | — | — | — | — | — | — | — | — | 115,625 | 115,625 |
| Capital contribution from minority interests of newly established subsidiaries | — | — | — | — | — | — | — | — | 6,780 | 6,780 |
| Dividend paid to minority shareholders of a subsidiary | — | — | — | — | — | — | — | — | (28,250) | (28,250) |
| Share options lapsed | — | — | — | — | — | (31) | 31 | — | — | — |
| Issue of shares upon exercise of share options | 689 | 1,869 | — | — | — | (960) | — | 1,598 | — | 1,598 |
| At 31 December 2008 | 267,891 | 213,965 | 402 | 2,814 | 37,347 | 21 | 141,119 | 663,559 | 129,616 | 793,175 |
| Loss for the period and total comprehensive income and expense for the period | — | — | — | — | — | — | (4,137) | (4,137) | (1,156) | (5,293) |
| Release and transfer upon disposal of a subsidiary (note 18(b)) | — | — | — | — | (15,138) | — | 15,138 | — | — | — |
| Release and transfer upon disposal of an associate (note 9) | — | — | — | — | (5,889) | — | 5,889 | — | — | — |
| Share options lapsed | — | — | — | — | — | (21) | 21 | — | — | — |
| Disposal of a subsidiary | — | — | — | — | — | — | — | — | (121,861) | (121,861) |
| At 30 June 2009 (unaudited) | 267,891 | 213,965 | 402 | 2,814 | 16,320 | — | 158,030 | 659,422 | 6,599 | 666,021 |
| At 1 January 2008 | 267,202 | 212,096 | 402 | 2,814 | 14,560 | 1,012 | 135,310 | 633,396 | — | 633,396 |
| Loss for the period | — | — | — | — | — | — | (11,079) | (11,079) | — | (11,079) |
| Exchange difference arising on translation | — | — | — | — | 22,235 | — | — | 22,235 | — | 22,235 |
| Total comprehensive income for the period | — | — | — | — | 22,235 | — | (11,079) | 11,156 | — | 11,156 |
| Deemed acquisition of a subsidiary by acquiring additional interest in a jointly controlled entity | — | — | — | — | — | — | — | — | 115,625 | 115,625 |
| Issue of shares upon exercise of share options | 447 | 1,299 | — | — | — | (638) | — | 1,108 | — | 1,108 |
| At 30 June 2008 (unaudited) | 267,649 | 213,395 | 402 | 2,814 | 36,795 | 374 | 124,231 | 645,660 | 115,625 | 761,285 |

Note: Capital reserve represented the deemed contribution from a substantial shareholder of the Company arising at the date of acquisition of a subsidiary, 洛陽城南中儲物流有限公司, from a subsidiary of the substantial shareholder of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | NOTES | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2009 HK\$'000 (Unaudited) | 2008 HK\$'000 (Unaudited) |
| Net cash used in operating activities | | (164,318) | (15,031) |
| Net cash generated from investing activities | | | |
| Capital contribution to a jointly controlled entity | | — | (5,895) |
| Purchase of property, plant and equipment | | (207) | (821) |
| Distribution from an associate upon liquidation | | — | 264 |
| Repayment of amounts due from associates | | 5,064 | 19,657 |
| Interest received | | 58 | 1,836 |
| Proceeds on disposal of an associate | 9 | 58,000 | — |
| Disposal of a subsidiary | 18 | 225,641 | — |
| Acquisition of a subsidiary | 17 | — | 14,693 |
| | | 288,556 | 29,734 |
| Net cash used in financing activities | | | |
| Issue of shares upon exercise of share options | | — | 1,108 |
| Repayment of amounts due to related companies | | (354) | (16,212) |
| Advance from related companies | | 14,994 | — |
| Repayment of bank loan | | (29,380) | — |
| Interest paid | | (1,172) | — |
| Repayment of loan from a substantial shareholder | | (5,752) | — |
| | | (21,664) | (15,104) |
| Net increase (decrease) in cash and cash equivalents | | 102,574 | (401) |
| Cash and cash equivalents at beginning of the period | | 95,590 | 298,626 |
| Effect of foreign exchange rate changes | | — | 5,879 |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | | 198,164 | 304,104 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2009.

| | |
|--|--|
| HKAS 1 (Revised 2007) | Presentation of financial statements |
| HKAS 23 (Revised 2007) | Borrowing costs |
| HKAS 32 & 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an investment in a subsidiary, jointly controlled entity or associate |
| HKFRS 2 (Amendment) | Vesting conditions and cancellations |
| HKFRS 7 (Amendment) | Improving disclosures about financial instruments |
| HKFRS 8 | Operating segments |
| HK(IFRIC) — INT 9 & HKAS 39 (Amendments) | Embedded derivatives |
| HK(IFRIC) — INT 13 | Customer loyalty programmes |
| HK(IFRIC) — INT 15 | Agreements for the construction of real estate |
| HK(IFRIC) — INT 16 | Hedges of a net investment in a foreign operation |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39 |

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the unaudited condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

| | |
|------------------------|--|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹ |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 ² |
| HKAS 27 (Revised 2008) | Consolidated and separate financial statements ¹ |
| HKAS 39 (Amendment) | Eligible hedged items ¹ |
| HKFRS 1 (Amendment) | Additional exemptions for first-time adoptions ³ |
| HKFRS 2 (Amendment) | Group cash-settled share based payment transactions ³ |
| HKFRS 3 (Revised 2008) | Business combinations ³ |
| HK(IFRIC) — INT 17 | Distributions of non-cash assets to owners ¹ |
| HK(IFRIC) — INT 18 | Transfers of assets from customers ⁴ |

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

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

⁴ Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. However, there is a change in the measure of segment assets upon the adoption of HKFRS 8.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

3. TURNOVER AND SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2009

| | Property investment HK\$'000 | Property development HK\$'000 | Consolidated HK\$'000 |
|--|------------------------------------|-------------------------------------|--------------------------|
| Turnover | | | |
| Segment turnover — External sales | 815 | 3,661 | 4,476 |
| Result | | | |
| Segment result | 190 | (6,986) | (6,796) |
| Unallocated corporate expenses | | | (11,851) |
| Unallocated other income | | | 663 |
| Share of result of an associate | | | 6,102 |
| Finance costs | | | (1,172) |
| Gain on disposal of a subsidiary | | | 4,308 |
| Gain on disposal of an associate | | | 1,130 |
| Increase in fair value of held-for-trading securities | | | 2,289 |
| Loss before taxation | | | (5,327) |

Six months ended 30 June 2008

| | Property investment HK\$'000 | Property development HK\$'000 | Consolidated HK\$'000 |
|--|------------------------------------|-------------------------------------|--------------------------|
| Turnover | | | |
| Segment turnover — External sales | 902 | 9,338 | 10,240 |
| Result | | | |
| Segment result | 371 | 262 | 633 |
| Unallocated corporate expenses | | | (13,644) |
| Unallocated other income | | | 2,023 |
| Share of result of a jointly controlled entity | | | (668) |
| Share of result of an associate | | | (1,179) |
| Increase in fair value of held-for-trading securities | | | 1,403 |
| Loss before taxation | | | (11,432) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of an associate and a jointly controlled entity, gain on disposal of a subsidiary and an associate, fair value change of held-for-trading securities and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

| | 30.6.2009 <i>HK\$'000</i> | 31.12.2008 <i>HK\$'000</i> |
|----------------------|-------------------------------------|-------------------------------|
| Property investment | 157,666 | 96,398 |
| Property development | 300,678 | 815,294 |
| | 458,344 | 911,692 |

4. INCOME TAX CREDIT

| | Six months ended 30 June 2009 <i>HK\$'000</i> | 2008 <i>HK\$'000</i> |
|--|---|-------------------------|
| The income tax credit comprises: | | |
| Current tax credit | | |
| People's Republic of China ("PRC") Enterprise Income Tax | — | 317 |
| Deferred tax credit | 34 | 36 |
| Income tax credit for the period | 34 | 353 |

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

PRC Enterprise Income Tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the PRC on the estimated assessable profits of the Group's PRC subsidiaries. The taxation credit for the prior period represented overprovision in prior years.

5. LOSS FOR THE PERIOD

| | Six months ended 30 June 2009 <i>HK\$'000</i> | 2008 <i>HK\$'000</i> |
|---|---|-------------------------|
| Loss for the period has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 690 | 574 |
| Exchange loss | 262 | 476 |
| Loss on disposal of property, plant and equipment | — | 10 |
| and after crediting: | | |
| Interest income | 58 | 1,836 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

6. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (for the six months ended 30 June 2008: nil).

7. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company for the period is based on the loss for the period of HK\$4,137,000 (for the six months ended 30 June 2008: HK\$11,079,000) and on 2,678,905,570 shares (for the six months ended 30 June 2008: 2,675,712,352 shares).

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

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

During the period, the Group spent approximately HK\$207,000 (six months period ended 30 June 2008: HK\$821,000) on acquisition of property, plant and equipment.

During the period, the Group disposed of property, plant and equipment of HK\$773,000 (six months periods ended 30 June 2008: nil) through disposal of a subsidiary as described in note 18.

During the period ended 30 June 2008, the Group acquired property, plant and equipment of HK\$994,000 through acquisition of a subsidiary as described in note 17.

The fair values of the Group's investment properties at 30 June 2009 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited, an independent qualified professional valuers not connected with the Group. B.I. Appraisals Limited is member of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar property. No gain or loss arising from change in the fair value has been recognised in the condensed consolidated income statement for the current period.

9. INTERESTS IN ASSOCIATES

| | 30.6.2009 HK\$'000 | 31.12.2008 HK\$'000 |
|---|-----------------------|------------------------|
| Cost of investments in associates | — | 49,076 |
| Share of post acquisition profit | — | 3,491 |
| Share of post acquisition reserves | — | 5,889 |
| | — | 58,456 |
| Unrealised gain on disposal of subsidiaries to an associate | — | (7,688) |
| | — | 50,768 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

9. INTERESTS IN ASSOCIATES (*Continued*)

At 31 December 2008, the interests in associates mainly represents the Group's interests in 20% of equity interest in CIMPOR Chengtong Cement Corporation Limited ("CIMPOR Chengtong") and the 32% equity interest in Goodwill (Overseas) Limited ("Goodwill"). The assets and liabilities of Goodwill mainly comprise of loans receivables due from one of the shareholders and the shareholders' loans respectively.

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

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

10. AMOUNT DUE FROM AN ASSOCIATE

The amount represents the loan advanced to Goodwill in the prior year, which is unsecured, interest-free and has no fixed terms of repayment. Goodwill's principal asset is a loan advanced to Kingdom Land Investment and Development Company Limited ("Kingdom Land") which is also one of the shareholders of Goodwill. Kingdom Land is a private limited liability company incorporated in Macau S.A.R.

The loan advanced from Goodwill to Kingdom Land was utilized to finance the development of a commercial property project in Shanghai, the PRC, which was completed in or around 1997. The developed commercial property is held by a subsidiary of Kingdom Land. Kingdom Land has used the net rental income from the commercial property to pay to Goodwill, which has been treated by Goodwill as repayments of the loan made to Kingdom Land.

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days (31 December 2008: 30 days) to its trade customers on open account credit terms. The following is an analysis of trade receivables by age, presented based on the payment due date.

| | 30.6.2009 <i>HK\$'000</i> | 31.12.2008 <i>HK\$'000</i> |
|------------------|-------------------------------------|-------------------------------|
| Within one year | — | 100 |
| One to two years | — | — |
| Over three years | 3,001 | 3,001 |
| | 3,001 | 3,101 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

12. TRADE AND OTHER PAYABLES

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

| | 30.6.2009 HK\$'000 | 31.12.2008 HK\$'000 |
|------------------|-----------------------|------------------------|
| Within one year | — | 2,278 |
| One to two years | — | 45 |
| Over three years | 8,429 | 9,186 |
| | 8,429 | 11,509 |

13. BANK LOAN

| | 30.6.2009 HK\$'000 | 31.12.2008 HK\$'000 |
|---|-----------------------|------------------------|
| Secured bank loan repayable within one year | — | 164,980 |

As at 31 December 2008, the bank loan carried the effective interest rate at 8.316% per annum, which is at maximum of 10% above the interest rate per annum offered by The People's Bank of China and will be repriced every twelve months upon revolving. As at 30 June 2009, the Group has no secured bank loan after the disposal of a subsidiary (see note 18).

The bank loan was secured by the land use right of the completed projects which were sold to the Huzhou local government in 2008 and guarantee provided by 浙江雲廈集團有限公司, a minority shareholder of a subsidiary.

14. SHARE CAPITAL

| | Number of shares '000 | Share capital HK\$'000 |
|---|-----------------------------|------------------------------|
| Ordinary shares of HK\$0.1 each issued and fully paid | | |
| At 1 January 2008 | 2,672,020 | 267,202 |
| Exercise of share options | 4,468 | 447 |
| At 30 June 2008 | 2,676,488 | 267,649 |
| Exercise of share options | 2,417 | 242 |
| At 31 December 2008 and 30 June 2009 | 2,678,905 | 267,891 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

15. PROVISION FOR CLAIMS

The amounts represent the provision for several legal cases of 中實投資有限責任公司 Zhongshi Investment Company Limited ("Zhongshi"), a wholly-owned subsidiary of the Company. An analysis of the provision for claims on respective legal case is set out below:

| | 30.6.2009 HK\$'000 | 31.12.2008 HK\$'000 |
|--|-----------------------|------------------------|
| Dispute with an independent contractor (Note a) | 3,500 | 3,500 |
| Dispute of the unpaid contract fee (Note b) | 987 | 987 |
| Disputes on pre-sales of developed properties (Note c) | 4,011 | — |
| Disputes with the owners' committee of a developed property project (Note d) | 509 | — |
| | 9,007 | 4,487 |

Notes:

- (a) Zhongshi has received a summon issued by an independent contractor against Zhongshi to recover an unpaid contract fee for a property project of Zhongshi before the Group acquired Zhongshi in 2004 and the interest accrued thereon in the aggregate sum of approximately RMB3,761,000 (equivalent to approximately HK\$4,250,000).

On 18 December 2008 and 24 June 2009, the PRC local court issued court orders which stated that Zhongshi is liable to pay for the claim amounting to approximately RMB3,064,000 (equivalent to approximately HK\$3,462,000).

The directors of the Company are of the view that it is probable that Zhongshi will be liable to the payment of the claim. Accordingly, a provision for claim of HK\$3,500,000 was made during the year ended 31 December 2008. Zhongshi has consulted for legal advices and made an appeal to the court in July 2009, payment (including court fee of approximately RMB69,000) amounting to approximately RMB3,133,000 (equivalent to approximately HK\$3,500,000) was made in August 2009.

- (b) Zhongshi has also received a summon issued by an independent contractor against Zhongshi to recover an unpaid contract fee for a construction project of approximately RMB873,000 (equivalent to approximately HK\$987,000) and the interest accrued thereon.

The directors of the Company are of the view that it is probable that Zhongshi should settle most of the unpaid contract fee. Accordingly, a provision for claim of HK\$987,000 was made during the year ended 31 December 2008. No payment was made during the six months ended 30 June 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

15. PROVISION FOR CLAIMS (Continued)

Notes: (Continued)

- (c) In September 2007 and January 2008, Zhongshi has entered into a provisional sales contract and a sales contract with respective customers for sales of certain developed properties in Beijing, the PRC. Zhongshi has received deposits, in aggregate, amounting to approximately RMB5,952,000 (equivalent to approximately HK\$6,726,000) from these customers. Owing to the disputes on the usage of the properties between Zhongshi and these customers, no sales of developed properties were recognized by the Group in the previous years and the current period. The amount of deposits received from these customers was classified as a current liability as at 30 June 2009 and 31 December 2008.

In November 2008, Zhongshi has applied for court orders to terminate the provisional sales contract and the sales contract with the respective customers and the claims for rental income for occupancy of the concerned properties from these customers. During the six months ended 30 June 2009, these customers have made counterclaims against Zhongshi for the compensation on expenditure incurred for decorations and facilities of the concerned properties as well as other losses. Pursuant to the legal advices, if the court had judged for termination of the provisional sales contract and the sales contract, Zhongshi might be liable for payment of compensation to these customers for decorations and facilities expenditures incurred and other losses, in aggregate, amounting to approximately RMB3,550,000 (equivalent to approximately HK\$4,011,000). The directors of the Company are of the view that it is probably that Zhongshi will be liable for payment of the counterclaims from these customers. Accordingly, a provision for claim of HK\$4,011,000 was made during the six months ended 30 June 2009.

- (d) In April 2009, the owners' committee of a property project developed by Zhongshi has commenced legal proceedings against Zhongshi for the reinstatement of certain unauthorised structure that Zhongshi has constructed on such property development project. It is estimated that the total expenses for such reinstatement and legal costs incurred would be amounting to approximately RMB450,000 (equivalent to approximately HK\$509,000). The directors of the Company are of the view that it is probable that Zhongshi will settle the reinstatement and legal cost incurred amounting to HK\$509,000. Therefore, a provision for claim was made during the current period.
- (e) In August 2008, Zhongshi has received a summon issued by an independent third party against Zhongshi and three other parties jointly liable to recover (i) an unpaid consideration for transferring equity interest of a company previously owned by Zhongshi before the Group acquired Zhongshi in 2004 and (ii) related overdue penalty in the aggregate sum of approximately RMB21,336,000 (equivalent to approximately HK\$24,110,000) (the "Claim"). Before the Group's acquisition, the 70% equity interest in Zhongshi was previously held by 嘉成企業發展有限公司 (unofficial translation as Jiacheng Enterprise Development Company Limited) ("JiaCheng") which is a wholly-owned subsidiary of China Chengtong Holdings Group Limited ("CCHG"), the holding company of the substantial shareholder of the Company.

On 19 December 2008 and 25 June 2009, the PRC local courts ordered Zhongshi and two other parties jointly liable to pay the plaintiff a total sum of approximately RMB21,484,000 (equivalent to approximately HK\$24,277,000) which included unpaid consideration of RMB11,200,000 (equivalent to approximately HK\$12,656,000), overdue penalty of RMB10,136,000 (equivalent to approximately HK\$11,454,000) and court fees of approximately RMB148,000 (equivalent to approximately HK\$167,000). According to the execution order issued by the court in July 2009, the bank balances of the jointly liable parties equivalent to the liable amounts under the court order would be frozen for the settlement of such liable amounts. As at the date of this report, a bank account of Zhongshi with bank balance of approximately RMB6,000 (equivalent to approximately HK\$6,780) has been frozen.

In November 2008, JiaCheng has given an undertaking to Zhongshi to the effect that if Zhongshi is held liable for the amount under the Claim, JiaCheng would be responsible for the amount which Zhongshi is held to be liable. Accordingly the directors of the Company are of the view that JiaCheng will settle any amount which Zhongshi is held to be liable under the Claim. No provision for the Claim was made during the six months ended 30 June 2009 as the directors of the Company are of the opinion that the amount of the Group's obligation under the Claim, after taking into account the amounts that are expected to be met by JiaCheng and other jointly liable parties, is not material to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

16. 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:

| | 30.6.2009 <i>HK\$'000</i> | 31.12.2008 <i>HK\$'000</i> |
|-------------------------------|-------------------------------------|-------------------------------|
| Within one year | 1,861 | 2,106 |
| In the second to fourth years | 3,793 | — |
| | 5,654 | 2,106 |

As lessor

The Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

| | 30.6.2009 <i>HK\$'000</i> | 31.12.2008 <i>HK\$'000</i> |
|---------------------------------------|-------------------------------------|-------------------------------|
| Within one year | 1,290 | 1,617 |
| In the second to fifth year inclusive | — | 533 |
| | 1,290 | 2,150 |

17. ACQUISITION OF A SUBSIDIARY

Period ended 30 June 2008

During the period ended 30 June 2008, the Group obtained control over, 湖州萬港聯合置業有限公司 Huzhou Wangang United Estate Company Limited ("Huzhou Wangang") (previously a 50% jointly controlled entity of the Group), through the additional capital injection amounting to RMB104,800,000 (equivalent to approximately HK\$118,424,000) to Huzhou Wangang (the "Capital Injection") pursuant to a capital injection agreement entered into between a wholly-owned subsidiary of the Company and the other two joint venture owners of Huzhou Wangang (the "Capital Injection Agreement") on 28 March 2008. Upon completion of the Capital Injection in June 2008, Huzhou Wangang became a subsidiary of the Group and the Company indirectly owned a 67.08% equity interest in Huzhou Wangang. In accordance with the Capital Injection Agreement, profits or losses arising from the existing property development project continued to be shared by the Group and the two minority owners in the proportion of the shareholding before the Capital Injection (i.e. 50% to the Group and 50% to the other two minority owners). The transaction had been accounted for as an acquisition of assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

17. ACQUISITION OF A SUBSIDIARY (Continued)

Period ended 30 June 2008 (Continued)

The net assets being consolidated to the Group upon obtaining control over Huzhou Wangang are as follows:

| | Huzhou Wangang HK\$'000 |
|--|----------------------------|
| Net assets acquired: | |
| Property, plant and equipment | 994 |
| Properties under development | 684,848 |
| Trade and other receivables | 269,099 |
| Bills receivable | 3,390 |
| Tax recoverable | 14,192 |
| Bank balances and cash | 14,693 |
| Trade and other payables | (62,643) |
| Deposits received on sale of properties | (465,062) |
| Amounts due to minority shareholders | (2,261) |
| Bank loans | (226,000) |
| | 231,250 |
| Minority interests | (115,625) |
| | 115,625 |
| Release of interest in a jointly controlled entity on date of acquisition of a subsidiary | (115,625) |
| | — |
| Net cash inflow arising on acquisition: | |
| Cash consideration paid | — |
| Bank balances and cash acquired | 14,693 |
| | 14,693 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

18. DISPOSAL OF A SUBSIDIARY

Period ended 30 June 2009

During the period ended 30 June 2009, the Group disposed of the 100% equity interest in Great Royal International Limited ("Great Royal"), which held approximately 67.08% interest in the registered capital of Huzhou Wangang.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

18. DISPOSAL OF A SUBSIDIARY (Continued)

Period ended 30 June 2009 (Continued)

Notes:

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

19. RELATED PARTY TRANSACTIONS

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

| Name of related party | Nature of transaction | Six months ended 30 June | |
|--|--------------------------------|--------------------------|------------------|
| | | 2009 HK\$'000 | 2008 HK\$'000 |
| Associates: | | | |
| CIMPOR Chengtong | Consultancy and service income | 90 | 180 |
| Suzhou Nanda Cement Company Limited | Interest income | — | 311 |
| A substantial shareholder of the Company: | | | |
| China Chengtong Hong Kong Company Limited (“CCHK”) | Interest expense | 181 | — |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

19. RELATED PARTY TRANSACTIONS (Continued)

Compensation for key management personnel

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

| | Six months ended 30 June | |
|--------------------------|---------------------------------|----------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Short-term benefits | 1,828 | 3,061 |
| Post-employment benefits | 34 | 44 |
| | 1,862 | 3,105 |

20. POST BALANCE SHEET EVENT

The Group completed its negotiations and signed an agreement with CCHK, the holding company of World Gain Holdings Limited which is a substantial shareholder of the Company, and CCHG, for the acquisition of 100% interest in 誠通實業投資有限公司, a subsidiary of CCHG; 66.67% interest in 誠通大豐海港開發有限公司, a subsidiary of CCHG; and 100% interest in 連雲港中儲物流有限公司, a company to be established, at a consideration of approximately RMB268,000,000 (subject to adjustment), RMB201,000,000 (subject to adjustment) and RMB181,000,000 (subject to adjustment) respectively in 2008. The transaction has not yet been completed at the date of this report. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (for the six months ended 30 June 2008: nil).

FINANCIAL RESULTS

Turnover of the Group for the period under review was approximately HK\$4.48 million, representing a decrease of approximately 56% as compared to approximately HK\$10.24 million for the same period last year. The turnover of the Group for both the period under review and for the same period last year comprised mainly of the sales revenue of the development project City of Mergence in Beijing ("Beijing City of Mergence"), the People's Republic of China (the "PRC"). Most residential units of Beijing City of Mergence were sold in 2005 and 2006. During the period under review, no property development project of the Group was completed for sale.

During the period under review, the Group recorded a loss attributable to shareholders of approximately HK\$4.14 million as compared to the loss of approximately HK\$11.08 million for the same period last year. It was mainly attributable to the gains of approximately HK\$4.31 million and approximately HK\$1.13 million from the disposals of its entire equity interest in Great Royal International Limited ("Great Royal"), a subsidiary, and 20% equity interests in Cimpor Chengtong Cement Corporation Limited ("Cimpor Chengtong"), an associated company, respectively, and its share of profit of Cimpor Chengtong of approximately HK\$ 6.10 million prior to the disposal, during the period under review.

BUSINESS REVIEW

In the first half of 2009, the PRC economy has achieved a steady development and the land and property markets have rebounded as stimulated by the State's adoption of active fiscal policies and moderately loose monetary policies. Taking advantage of the recovery of the PRC economy, the strategic restructuring of the central enterprises and the resources provided by the holding company of its substantial shareholder as well as sticking to its set strategic target, the Group expedited the progress of acquisition and restructuring of land resources, accelerated the planning and design of Zhucheng project, speeded up the collection of project receivables in order to concentrate the resources. Meanwhile, it enhanced building of real estate and land resources development team to upgrade the Group's capacity and potentials in principal business development.

LAND RESOURCES EXPLOITATION

The Group is committed to further expanding quality land resources reserve and scale, and actively exploring more profit modes of land exploitation. In 2009, land resources exploitation business of the Group has recorded material progress.

The Group acquired a parcel of land located in Luoyang, Henan, the PRC, together with the warehouse complex erected thereon, with site area of approximately 80,000 square metres in 2007 from China Chengtong Holdings Group Limited ("CCHG"), the holding company of its substantial shareholder. The parcel of land has been zoned into commercial development area and its potential value has been improved substantially. In March 2009, the Group received a letter from Administration Committee of Luoyang Economic Development Zone in Henan Province, which suggested unified planning and integrated commercial development for the Group's parcel of land in Luoyang. The Group has been negotiating with local government over the land in Luoyang, and is now conducting its investment appraisal and analysis. The Group has an intention to change its use from industrial purpose to commercial purpose at appropriate time, subject to investment returns, future market condition as well as relevant laws and regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

LAND RESOURCES EXPLOITATION *(Continued)*

In October 2008, the Group entered into sale and purchase agreement for acquisition of 100% interest in 誠通實業投資有限公司 (unofficial translation as Chengtong Industrial Investment Limited) (“Chengtong Industrial”) and 66.67% interest in 誠通大豐海港開發有限公司 (unofficial translation as Chengtong Dafeng Harbour Development Limited) (“Chengtong Dafeng”), as well as sale and purchase agreement for acquisition of 100% interest in 連雲港中儲物流有限公司 (unofficial translation as Lianyungang CMST Logistics Limited) with its substantial shareholder China Chengtong Hong Kong Company Limited (“CCHK”) and CCHG (“Injection Project”).

They are under approval process of relevant authorities or local government in the PRC, which are the procedures precedent to completion of the above agreements. Land resources reserve of the Group will grow significantly upon completion of such transactions.

PROPERTY DEVELOPMENT

In the first half of 2009, the central and local governments launched a series of positive industrial policies for the healthy development of real estate market, such as residence consumption stimulus, lower contract tax and business tax as well as eased property credit. Accordingly, residence sales became the driving force of domestic demand. As consumer confidence rapidly picked up, China’s real estate market saw fast growth. Areas sold and sales revenue grew significantly comparing to the same period of last year and transaction price started to bottom out. The Group timely adjusted development strategy in line with the positive trend of the real estate industry and speeded up the development project in Zhucheng Shandong. Meanwhile, the Group is actively planning for the commercial development projects for the assets which will be consolidated into the Group after completion of the Injection Project.

Shandong

The Group holds three pieces of land (99,599 square metres, 146,006 square metres and 73,331 square metres, aggregating to approximately 318,936 square metres) in Zhucheng in Shandong through three joint ventures in which the Group holds 80% interests. Such three pieces of land could be built into commercial and residential projects of over 600,000 square metres.

Zhucheng project in Shandong is located in the economically developed region of Shandong Peninsula East, being a satellite city of Qingdao. The Management is fully confident of its economic development potential, real estate market development and consumption power. In the first half of 2009, the management decided to accelerate project progress in accordance with macro economic status and upturn of local real estate market. The projects have been initiated in substance.

During the period under review, the three joint ventures in Zhucheng had obtained the land use right certificates and construction land planning permits, and completed concept design, project positioning and environmental evaluation for “CCT-Champs-Elysees”, a residential and commercial complex project on one of the three pieces of land. Commencement ceremony for phase I of the project (approximately 80,000 square metres) was held on 21 August 2009. The project is in the vicinity of Dinosaur Park, the central park of Zhucheng and the heart of the region. It is expected to initiate presale in 2010 and gain positive market response and sales performance, while the management will develop the other two pieces of land by stages.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT *(Continued)*

Huzhou

In May 2009, the Group entered into a sale and purchase agreement with an independent third party for disposal of 100% interest in Great Royal, a wholly owned subsidiary of the Group. The major assets of Great Royal is mainly approximately 67.08% equity interest in 湖州萬港聯合置業有限公司 (Huzhou Wangang United Estate Company Limited) (“Huzhou Wangang”).

Qing He Jiayuan, the sole development project of Huzhou Wangang, was completed in 2008, the Board believed that the Group should realise its investment in the project, which will help concentrate its resources management. Details of such disposal were set out in the Group’s announcements dated 1 June 2009 and 24 August 2009 and the circular dated 13 June 2009. The disposal gave rise to a gain of approximately HK\$4.31 million for the Group. In addition, approximately HK\$1.04 million of operating loss of Huzhou Wangang was attributable to the Group during the period under review, mainly due to the daily administrative expenses in the period. Huzhou Wangang’s assets, liabilities and financial results will no longer be consolidated into the Group’s financial statements from 30 June 2009 onwards.

Beijing

During the first half of 2009, Beijing City of Mergence located at Xicheng District of Beijing had sold approximately 1,070 square metres of warehousing area. During the same period last year, 467 square metres of commercial area and approximately 664 square metres of warehousing area were sold. The sales revenue in 2009 decreased as compared to the same period last year due to the lower selling price of warehousing area. As at 30 June 2009, 101 parking spaces and approximately 1,000 square metres of commercial and warehousing area in aggregate remained unsold in Beijing City of Mergence.

PROPERTY INVESTMENT

Guangzhou

The area for the retail shop of the Group located at Zone C of Level 3 at Li Wan Plaza in Guangzhou of the PRC with approximately 5,370 square metres contributed rental income of approximately RMB510,000 for the Group in each of the first half of 2009 and 2008.

Shanghai

Goodwill (Overseas) Limited, an associated company owned as to 32% interest by the Group continued to share in the cash inflow arising from the rental income from East Ocean Centre Phase II located in Shanghai of the PRC, and contributed cash inflow of approximately HK\$5 million to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC INVESTMENT

Cement

Cimpor Chengtong was established in 2006, in which the Group owns 20% equity interest. Cement business is a strategic investment of the Group. Considering that the substantial shareholder of Cimpor Chengtong will keep increasing capital of Cimpor Chengtong, which will substantially dilute the shareholding of the Group in it, and disposal of such equity interests will give rise to income and cash inflow to the Group, the Board decided and completed the disposal of 20% interest in Cimpor Chengtong held by the Group to its substantial shareholder in April 2009. The disposal contributed a gain of approximately HK\$1.13 million to the Group. In addition, during the period under review, the Group shared Cimpor Chengtong's consolidated profit attributable to shareholders of approximately HK\$6.10 million before its disposal.

The Group does not exclude the possibility of seeking any appropriate strategic investment opportunity in the future in order to improve capital returns.

OUTLOOK

In the second half of 2009, global economy is to stabilize and show signs of recovery. Growth rate of China's economy is expected to further increase. Despite the uncertainties in economic trends, we believe that the real estate industry, as a crucial pillar of national economy, still has vast growth potential, in view of further implementation of government stimulus policy, acceleration of China's urbanization, and continuous growth in national income. At the same time, given the scarcity of land resource in China, the recovery of the real estate market is to drive land market price which will enhance the investment value of the Group's land reserve.

In the next stage, the Group will closely monitor the impact from the macro economic trend, policy environment and inflation and any other expected factors in order to upgrade its adaptability to changes in the macro environment and capability of seizing policy opportunities. Meanwhile, the Group will further adjust its asset structure, increase investment and strengthen management in land resources exploitation and property development. As for land resources exploitation, in the second half of 2009, if the Injection Project completes as planned, land reserve of the Group will increase significantly. Presently, the Group has started the research on land resources development strategy, actively follows up land market information and policy changes, explore the best mode to realize value of land in different regions and seek to add value to land assets in various ways. At the same time, the Group will also actively explore the possibility for further increase in land resources reserve with CCHG, the substantial shareholder.

As for property development, the Group will actively promote the commencement and construction of Zhucheng project in Shandong and property construction project of Chengtong Dafeng which will be incorporated into the Group after completion of Injection Project in the second half of current year. Meanwhile, the Group started to study the feasibility of changing the uses of its other lands from industrial purpose to commercial purpose and carrying out commercial development. The Group has embarked on attracting people of high calibre in the real estate sector to significantly upgrade our professional management and operating capacity in property development. Moreover, the Group will closely watch any acquisition and expansion opportunities in real estate sector, such that the property development business will become the main source of profit to the Group.

With its healthy financial position, advantages of and support from CCHG, the Group will continue to seek appropriate investment opportunities to expand stable income source and continue to enhance its inventory level of high-quality assets so as to lay solid foundation for long-term and sustainable growth.

GEARING RATIO

As at 30 June 2009, the Group's gearing ratio calculated on the basis of amounts due to minority shareholders of subsidiaries, loans from a minority shareholder of subsidiaries, amount due to a substantial shareholder, bank loan and other loans of approximately HK\$43.29 million and total assets of approximately HK\$771.08 million, was 6% (31 December 2008: 18%).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

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

At 30 June 2009, the Group had cash and bank balances amounting to approximately HK\$202.36 million (31 December 2008: HK\$99.79 million), and current assets and current liabilities of approximately HK\$562.11 million and HK\$100.12 million respectively (31 December 2008: HK\$898.60 million and HK\$364.57 million respectively). Out of the cash and bank balances of HK\$202.36 million at 30 June 2009, a sum of HK\$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

At 30 June 2009, the amounts due to minority shareholders of subsidiaries of approximately HK\$3.98 million were unsecured, interest-free and repayable on demand. The loans from a minority shareholder of subsidiaries of approximately HK\$36.05 million were unsecured, interest-free and will be demanded for repayment within 3 years after the Group obtained the certificate of land use rights for the properties held for development. The other loans from third parties of approximately HK\$3.26 million were unsecured, repayable on demand and interest-free, except for a loan of approximately HK\$2.1 million which carried interest at fixed interest rate. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES

At 30 June 2009, the Group employed a total of 41 employees, of which 11 were based in Hong Kong and 30 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's corporate goals, their individual performance and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to directors and eligible employees to subscribe the shares of the Company.

APPOINTMENTS OF AN EXECUTIVE DIRECTOR AND SENIOR MANAGEMENT

In order to optimize the structure of the Board and to cope with the further development of the Group's business, Mr. Wang Tianlin, the Deputy General Manager of the Group, has been appointed as an executive director of the Company with effect from 1 September 2009. Mr. Wang has extensive experiences in corporate governance, capital market and business management. (Please refer to the announcement of appointment of executive director of the Company dated 1 September 2009).

In addition, the Company has recently appointed a relevant personnel who possesses extensive experiences in project development of the real estate sector as the deputy general manager (property development) of the Group.

PLEDGE OF ASSET

As at 30 June 2009, there was no pledge of asset. As at 31 December 2008, approximately HK\$109.61 million out of approximately HK\$164.98 million of bank loans of the Group was secured by the land use right of the completed properties which were sold to Huzhou local government in year 2008.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Save as disclosed below, as at 30 June 2009, none of the Directors or chief executives (if any) of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

| 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 | 0.00001% |
| Gu Laiyun | The Company | Beneficial owner | 3,867,707 | 0.144% |
| Xu Zhen | The Company | Beneficial owner | 725,196 | 0.027% |

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 24 June 2003, a share option scheme was adopted by the Company. Details of movements in the Company's outstanding share options during the six months ended 30 June 2009 are set out below:

| Date of grant | Exercise period | Exercise price per share HK\$ (Note 1) | Outstanding at 1.1.2009 (Note 1) | Number of share options | | Outstanding at 30.6.2009 |
|---------------|----------------------|--|-------------------------------------|-----------------------------|--------------------------|--------------------------|
| | | | | Exercised during the period | Lapsed during the period | |
| 8.3.2004 | 9.3.2005 to 8.3.2008 | 0.3012 | — | — | — | — |
| | 9.3.2006 to 8.3.2009 | 0.3012 | 125,196 | — | (125,196) | — |
| Total | | | 125,196 | — | (125,196) | — |

OTHER INFORMATION

SHARE OPTION SCHEME (*Continued*)

Notes:

- The Rights Issue of the Company was completed on 12 April 2007. The exercise price and number of shares that can be subscribed for under the share option scheme have already been adjusted upon the completion of the Rights Issue.
- The options granted on 8 March 2004 have vesting period as follows:

50% of the options are vested in 12 months from the date of acceptance of the offer and the balance 50% of the options are vested in 24 months from the date of acceptance of the offer.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the following shareholders had interests in or short positions of the shares and underlying shares of the Company as recorded in register required to be kept by the Company under section 336 of the SFO.

Substantial shareholders of the Company

| Name of Shareholder | Nature of Interest | Number of Shares held for long position | Approximate Percentage of issued share capital |
|--|--|---|--|
| World Gain Holdings Limited ("World Gain") | Beneficial owner (<i>Note 2</i>) | 791,814,913 (L) | 29.56% |
| China Chengtong Hong Kong Company Limited ("CCHK") | Controlled corporation (<i>Note 2</i>) | 791,814,913 (L) | 29.56% |
| | Beneficial owner | 2,533,705,591 (L) (<i>Note 3</i>) | 94.58% |
| China Chengtong Holdings Group Limited ("CCHG") | Controlled corporation (<i>Note 2</i>) | 3,325,520,504 (L) | 124.14% |

Notes:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry to each of the directors of the Company, they confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2009.

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

CHANGES IN INFORMATION ON DIRECTORS

Since the date of the 2008 Annual Report, changes in information of directors of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- Mr. Kwong Che Keung, Gordon, an independent non-executive Director of the Company has resigned as an independent non-executive director of Ping An Insurance (Group) Company of China, Limited in June 2009.
- Mr. Tsui Yiu Wa, Alec, an independent non-executive Director of the Company was appointed as an independent non-executive director of China Oilfield Services Limited in June 2009 and has resigned as an independent non-executive director of Vertex Group Limited in April 2009.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") appreciates that good corporate governance is vital to the healthy and sustainable development of the Group. The directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009, save as disclosed below:

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors shall be appointed for a specific term and subject to re-election. Before 29 June 2009, none of the non-executive Directors of the Company is appointed for a specific term. However, on 29 June 2009, each of the non-executive Directors of the Company signed a service contract with the Company for a term of one year (or to the date of the Company's annual general meeting in year 2010, whichever is earlier). In addition, all directors of the Company are subject to relevant provisions of retirement and re-election under the Articles of Association of the Company.

OTHER INFORMATION

REVIEW OF ACCOUNTS

The Board is of the view that disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2009 in conjunction with auditor of the Company.

DISCLOSURE PURSUANT TO THE LISTING RULES

As at 30 June 2009, the aggregate amount of advances made by the Group to its associate was approximately HK\$112,423,000.

The unaudited balance sheet of the Group's 32% owned associate, Goodwill (Overseas) Limited as at 30 June 2009 disclosed in accordance with 13.22 of Chapter 13 of the Listing Rules is as follows:

| | <i>HK\$'000</i> |
|-------------------------|-----------------|
| Non-current assets | 344,551 |
| Current assets | 23 |
| Current liabilities | (587) |
| Net current liabilities | (564) |
| Non-current liabilities | |
| Shareholders' loans | (347,405) |
| Net liabilities | (3,418) |

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

Hong Kong, 1 September 2009