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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

ANNOUNCEMENT OF 2009 FINAL RESULTS

The Board of Directors of China Chengtong Development Group Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 together with the comparative figures for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>NOTES</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	3	5,536	987,954
Cost of sales		(14,033)	(881,029)
Gross (loss) profit		(8,497)	106,925
Other income	4	2,994	4,680
Selling expenses		(47)	(236)
Administrative expenses		(28,799)	(42,242)
Loss on change in fair value of an investment property		(11,400)	—
Gain on change in fair value of held-for-trading securities		7,861	1,994

CONSOLIDATED INCOME STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>NOTES</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Gain on disposal of subsidiaries		4,308	12
Gain on disposals of associates		103,751	—
Net provisions for claims	12	(19,162)	(4,487)
Finance costs	5	(1,611)	(829)
Share of result of an associate		6,102	4,188
Share of result of a jointly controlled entity		—	(668)
		<hr/>	<hr/>
Profit before taxation		55,500	69,337
Taxation credit (charge)	6	4,156	(27,074)
		<hr/>	<hr/>
Profit for the year	7	59,656	42,263
		<hr/> <hr/>	<hr/> <hr/>
Profit for the year attributable to:			
Owners of the Company		61,982	5,778
Minority interests		(2,326)	36,485
		<hr/>	<hr/>
		59,656	42,263
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	8		
— Basic		HK2.14 cents	HK0.22 cent
		<hr/> <hr/>	<hr/> <hr/>
— Diluted		HK2.14 cents	HK0.22 cent
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>NOTE</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit for the year	7	59,656	42,263
Other comprehensive income			
Exchange differences arising during the year		<u>1,455</u>	<u>21,763</u>
Total comprehensive income and expense for the year		<u>61,111</u>	<u>64,026</u>
Total comprehensive income and expense attributable to:			
Owners of the Company		63,380	28,565
Minority interests		<u>(2,269)</u>	<u>35,461</u>
		<u>61,111</u>	<u>64,026</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment		8,554	4,338
Investment properties		251,256	89,270
Interests in associates		—	50,768
Amount due from an associate		—	117,415
Interest in a jointly controlled entity		—	—
Restricted bank balance		4,200	4,200
		<u>264,010</u>	<u>265,991</u>
Current assets			
Properties held for sale		11,852	25,259
Properties held for development		411,865	270,742
Properties under development		203,077	—
Claim recoverable	12	9,765	—
Amount receivable from sale of properties		—	376,654
Trade and other receivables	9	6,564	130,278
Amount due from a minority shareholder of a subsidiary		23,978	—
Amount due from an intermediate holding company		1,742	—
Amounts due from associates		—	72
Held-for-trading securities		14,443	—
Bank balances and cash		617,649	95,590
		<u>1,300,935</u>	<u>898,595</u>
Assets classified as held for sale	10	<u>40,255</u>	<u>—</u>
		<u>1,341,190</u>	<u>898,595</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

AT 31 DECEMBER 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
Current liabilities			
Trade and other payables	11	37,454	119,527
Provisions for claims	12	29,923	4,487
Deposits received on sale of properties		7,245	10,553
Deposit received from disposal of assets held for sale		3,407	—
Amounts due to related companies		361	354
Amounts due to minority shareholders of subsidiaries		3,978	3,979
Amount due to a substantial shareholder		—	5,752
Tax payable		3,319	15,620
Secured bank loans		45,600	164,980
Unsecured other loans		3,260	3,260
Loans from a minority shareholder of subsidiaries		17,965	36,053
		<u>152,512</u>	<u>364,565</u>
Liabilities associated with assets classified as held for sale	10	<u>7,166</u>	<u>—</u>
		<u>159,678</u>	<u>364,565</u>
Net current assets		<u>1,181,512</u>	<u>534,030</u>
Total assets less current liabilities		<u>1,445,522</u>	<u>800,021</u>
Non-current liabilities			
Deferred tax liabilities		<u>718</u>	<u>6,846</u>
Net assets		<u><u>1,444,804</u></u>	<u><u>793,175</u></u>
Capital and reserves			
Share capital		417,344	267,891
Share premium and reserves		<u>875,457</u>	<u>395,668</u>
Equity attributable to owners of the Company		1,292,801	663,559
Minority interests		<u>152,003</u>	<u>129,616</u>
Total equity		<u><u>1,444,804</u></u>	<u><u>793,175</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company is Renminbi. The Company uses Hong Kong dollars as its presentation currency because the Company is a public company incorporated in Hong Kong with its shares listed on the Stock Exchange.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) have applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the HKICPA. In addition, the Group has early applied paragraphs 25 to 27 of HKAS 24 (Revised) in advance of its effective date.

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
HK(IFRIC) — INT 18	Transfers of assets from customers
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 24 (Revised)	Related party disclosure in relation to the partial exemption in paragraphs 25 to 27 for government-related entities

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted a change in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

HKAS 24 (Revised) Related party disclosure

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

The Group has not early applied the following new and 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 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related party disclosure ⁵
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of right issues ⁴
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ⁶
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁷
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁵
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments ⁶

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

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

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

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 January 2011.

⁶ Effective for annual periods beginning on or after 1 July 2010.

⁷ Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that 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 for the purpose of allocating resources to segments and assessing 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. 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. However, there is a change in the measure of segment profit or loss, segment assets and segment liabilities upon the adoption of HKFRS 8.

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

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable segment:

For the year ended 31 December 2009

	Property investment <i>HK\$’000</i>	Property development <i>HK\$’000</i>	Total <i>HK\$’000</i>
Turnover			
Segment turnover — external sales	<u>1,676</u>	<u>3,860</u>	<u>5,536</u>
Result			
Segment result	<u>573</u>	<u>(42,841)</u>	(42,268)
Unallocated corporate expenses			(15,011)
Unallocated other income			2,157
Loss on change in fair value of an investment property			(11,400)
Gain on disposal of a subsidiary			4,308
Gain on disposals of associates			103,751
Gain on change in fair value of held-for-trading securities			7,861
Share of result of an associate			<u>6,102</u>
Profit before taxation			<u>55,500</u>

3. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2008

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover			
Segment turnover — external sales	<u>1,688</u>	<u>986,266</u>	<u>987,954</u>
Result			
Segment result	<u>(94)</u>	<u>86,366</u>	86,272
Unallocated corporate expenses			(25,725)
Unallocated other income			3,264
Gain on disposal of a subsidiary			12
Gain on change in fair value of held-for-trading securities			1,994
Share of result of a jointly controlled entity			(668)
Share of result of an associate			<u>4,188</u>
Profit before taxation			<u>69,337</u>

Segment results do not include taxation credit/charge, while segment liabilities include the current and deferred taxation except for those recognised by the head office and the inactive subsidiaries.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represents the results from each segment without allocation of administration costs incurred and other income generated by head office and the inactive subsidiaries, directors' salaries, share of results of an associate and a jointly controlled entity, gain on disposal of subsidiaries and associates and gain on change in fair value of held-for-trading securities. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 31 December 2009

Amounts included in the measure of segment results or segment assets:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets excluding financial instruments	—	1,723	29	1,752
Gain on disposal of property, plant and equipment	—	59	—	59
Depreciation	(261)	(729)	(305)	(1,295)
Impairment loss on properties held for sale	—	(7,789)	—	(7,789)
Net provisions for claims	—	(19,162)	—	(19,162)

For the year ended 31 December 2008

Amounts included in the measure of segment results or segment assets:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets excluding financial instruments	—	2,181	24	2,205
Gain on disposal of property, plant and equipment	—	67	—	67
Depreciation	(280)	(568)	(376)	(1,224)
Allowance for other receivables	(501)	—	(5)	(506)
Net provisions for claims	—	(4,487)	—	(4,487)

All the Group's significant operations, external customers and non-current assets during the two years ended 31 December 2009 were located in the PRC, not the Company's place of domicile.

3. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

Revenue from customers of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Customer A <i>(note 1)</i>	1,180	N/A
Customer B <i>(note 2)</i>	911	N/A
Customer C <i>(note 2)</i>	881	N/A
Customer D <i>(note 2)</i>	795	N/A
Customer E <i>(note 2)</i>	N/A	976,845
	<u>3,767</u>	<u>976,845</u>

Notes:

1. Revenue from property investment.
2. Revenue from property development.

4. OTHER INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest income from bank deposits	780	2,258
Interest income from an associate	—	311
Consultancy and service income from an associate	90	360
Exchange gain	1,511	—
Reversal of temporary receipts	—	966
Others	613	785
	<u>2,994</u>	<u>4,680</u>

5. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	1,405	8,003
Interest paid to China Chengtong Hong Kong Company Limited (“CCHK”), the intermediate holding company of the Company and the former substantial shareholder	185	829
Interest paid to a minority shareholder of subsidiaries	59	—
	<u>1,649</u>	<u>8,832</u>
Less: Amounts capitalised (<i>Note</i>)	<u>(38)</u>	<u>(8,003)</u>
	<u><u>1,611</u></u>	<u><u>829</u></u>

Note:

The amount for the year ended 31 December 2009, represents the borrowing costs that directly attributable to the properties under development.

The amount for the year ended 31 December 2008, represents the borrowings costs that are directly attributable to the properties development project of a subsidiary. The completed properties were sold to the Huzhou local government in 2008.

6. TAXATION (CREDIT) CHARGE

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is provided at 16.5% on the estimated assessable profits for both years.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the People’s Republic of China (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 for both years.

6. TAXATION (CREDIT) CHARGE *(continued)*

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
The taxation (credit) charge comprises:		
Current tax:		
PRC Enterprise Income Tax	—	25,626
Overprovision in prior years:		
PRC	—	(317)
	—	25,309
Deferred taxation		
— Current year (credit) charge	(4,156)	1,765
Taxation (credit) charge for the year	<u>(4,156)</u>	<u>27,074</u>

7. PROFIT FOR THE YEAR

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit for the year is arrived at after charging and (crediting):		
Auditor's remuneration	800	1,200
Depreciation of property, plant and equipment	1,295	1,224
Less: amounts capitalised in properties under development	(37)	—
	<u>1,258</u>	<u>1,224</u>
Minimum lease payments in respect of rented premises	2,551	2,696
Contributions to retirement benefits schemes (including directors' emoluments)	848	566
Staff costs (including directors' emoluments)	<u>13,050</u>	<u>12,556</u>
Total staff costs	<u>13,898</u>	<u>13,122</u>
Cost of inventories recognised as an expense	5,855	880,656
Impairment loss on properties held for sale	7,789	—
Allowance for amount due from related companies	—	607
(Reversal of) allowance for trade and other receivables	(284)	506
Exchange (gain) loss	(1,511)	711
Gross rental income from investment properties	(1,676)	(1,688)
Gain on disposal of property, plant and equipment	(59)	(67)
Reversal of allowance for amount due from an associate	<u>(1,086)</u>	<u>—</u>

8. EARNINGS PER SHARE

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year attributable to owners of the Company and earnings for the purposes of basic and diluted earnings per share	<u>61,982</u>	<u>5,778</u>
	Number of shares	
	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,901,318,091	2,676,848,753
Effect of dilutive potential ordinary shares in respect of share options	<u>4,189</u>	<u>1,695,652</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,901,322,280</u>	<u>2,678,544,405</u>

9. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	3,001	3,101
Other receivables	1,142	124,765
Prepayments and deposits	<u>2,421</u>	<u>2,412</u>
Total trade and other receivables	<u>6,564</u>	<u>130,278</u>

9. TRADE AND OTHER RECEIVABLES *(continued)*

The Group allows an average credit period of a 30 days (2008: 30 days) to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one month	—	100
Over five years	<u>3,001</u>	<u>3,001</u>
	<u>3,001</u>	<u>3,101</u>

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$3,001,000 (2008: HK\$3,001,000) are past due at the reporting date and aged over 5 years for which the Group has not provided for impairment loss as the directors are of view that such receivables can be fully recoverable. The Group does not hold any collateral over these balances.

10. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 31 December 2009, the Company entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital in a subsidiary, Merry World Associates Limited ("Merry World") at a cash consideration of HK\$33,680,000 and the estimated gain on disposal is approximately HK\$591,000. The assets and liabilities attributable to Merry World have been classified as assets classified as held for sale and liabilities associated with it, are presented separately in the consolidated statement of financial position.

The major classes of assets and liabilities of Merry World classified as held for sale are as follows:

	2009 <i>HK\$'000</i>
Investment property	39,900
Other receivables	<u>355</u>
Total assets classified as held for sale	<u>40,255</u>
Other payables	(7,020)
Deferred tax liabilities	<u>(146)</u>
Total liabilities associated with assets classified as held for sale	<u>(7,166)</u>

At 31 December 2009, a deposit on the disposal of Merry World amounting to approximately HK\$3,407,000 (2008: nil) was received and being separately disclosed under current liabilities in the consolidated statement of financial position. This transaction was completed on 6 January 2010.

11. TRADE AND OTHER PAYABLES

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	8,453	11,509
Other payables and accruals	29,001	108,018
	<u>37,454</u>	<u>119,527</u>

The aged analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	—	2,278
One to two years	—	45
Over three years	8,453	9,186
	<u>8,453</u>	<u>11,509</u>

12. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS

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

	<i>HK\$'000</i>
At 1 January 2009	4,487
Currency realignment	40
Gross provisions for claims charged for the year *	28,927
Payment made for settlement during the year	<u>(3,531)</u>
At 31 December 2009	<u>29,923</u>

* An analysis of net provisions for claims presented in the consolidated income statement is set out below:

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross provisions for claims charged for the year	28,927	4,487
Claim recoverable for case (e) **	<u>(9,765)</u>	—
Net provisions of claims charged to the consolidated income statement	<u>19,162</u>	<u>4,487</u>

** A separate asset of corresponding amount is recognised in the consolidated statement of financial position.

12. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS *(continued)*

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Dispute with an independent contractor <i>(Note a)</i>	—	3,500
Dispute of the unpaid contract fee <i>(Note b)</i>	1,223	987
Disputes on provisional sale of developed properties <i>(Note c)</i>	18,352	—
Dispute with the owners' committee of a developed property project <i>(Note d)</i>	513	—
Dispute of the unpaid consideration <i>(Note e)</i>	9,765	—
Dispute on water leakage <i>(Note g)</i>	70	—
	29,923	4,487
	29,923	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).

Zhongshi has consulted for legal advices and made a third appeal to the court in July 2009. A payment (including court fee of approximately RMB69,000) amounting to approximately RMB3,133,000 (equivalent to approximately HK\$3,531,000) was made in August 2009 in accordance with an execution notice issued by the court. The case was fully settled as at the end of the reporting period.

- (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.

On 18 December 2009, the PRC local court issued court order which stated that Zhongshi is liable to pay for the claim amounting to approximately RMB873,200 (equivalent to approximately HK\$995,000) and the interest accrued. Zhongshi has consulted for legal advices and made an appeal to the court in December 2009.

The directors of the Company are of the view that it is probable that Zhongshi will settle most of the unpaid contract fee together with the interest accrued and the court fees. Accordingly, an additional provision for claim of approximately HK\$236,000 was made during the year ended 31 December 2009, with the total provision amounting to approximately HK\$1,223,000 (2008: HK\$987,000). No payment was made during the year ended 31 December 2009.

12. CLAIM RECOVERABLE/PROVISIONS 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\$6,785,000) from these customers. Owing to the disputes on the usage of the properties between Zhongshi and these customers, no sales of developed properties were recognised by the Group in the previous years and the current year. The amount of deposits received from these customers was classified as current liability as at both years ended 31 December 2009 and 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 year ended 31 December 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. It is estimated that the total compensation of the claim would be amounting to approximately HK\$18,352,000. The directors of the Company are of the view that it is probable that Zhongshi will be liable for payment of the counterclaims from these customers. Accordingly, a provision for claim of HK\$18,352,000 was made during the year ended 31 December 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. In November 2009, the Court ordered Zhongshi to reinstate the unauthorised structure. 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\$513,000). Therefore, a provision for claim was made during the year ended 31 December 2009.
- (e) In August 2008, Zhongshi has received a summons 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, 北京京華都房地產開發有限公司 (“Jinghuadou”) previously 70% 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 (“JiaCheng”) which is a wholly-owned subsidiary of China Chengtong Holdings Group Limited (“CCHG”), the ultimate holding company of the Company and the former holding company of the substantial shareholder for the year ended 31 December 2008.

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 and those that maybe suffered by Zhongshi due to the forced sales of the restricted assets.

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 orders issued by the court, the assets of the jointly liable parties equivalent to the liable amounts under the court order would be frozen until the settlement of such liable amounts.

12. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS *(continued)*

Notes: (continued)

(e) *(continued)*

In November 2009, one of the jointly liable parties raised another claim against Zhongshi as stated in case (f) below.

At 31 December 2009, the court restricted the rights to transfer the Group's properties held for sale amounting to approximately RMB13,150,000 (equivalent to approximately HK\$14,991,000) and the 100% equity interest in 洛陽城南中儲物流有限公司, with a net asset value of approximately HK\$35,229,000, including property, plant and equipment, investment properties, other receivables, held-for-trading securities, bank balances and cash, other payables, deferred tax liabilities and amount due to intra-group companies which amounting to HK\$410,000, HK\$38,760,000, HK\$7,000, HK\$124,000, HK\$2,486,000, HK\$207,000, HK\$718,000 and HK\$5,633,000 respectively.

In February 2010, a settlement has been reached by all jointly liable parties with the plaintiff. The case is fully settled with a total payment amounting to approximately RMB20,237,000 (equivalent to approximately HK\$23,070,000) by one of the jointly liable party and JiaCheng which amounting to approximately RMB8,000,000 (equivalent to approximately HK\$9,120,000) and RMB12,237,000 (equivalent to approximately HK\$13,950,000) respectively to the plaintiff. The amount settled by JiaCheng represented the indemnity payment made for Zhongshi and the other jointly liable party.

The directors considered that relevant amount recoverable from the aforesaid undertaking issued by JiaCheng to Zhongshi is virtually certain, thus, a provision for claim of HK\$9,765,000 (equivalent to 70% portion over the total payment regarding the actual settlement made by JiaCheng of HK\$13,950,000) with reference to Zhongshi's previous 70% equity interest in Jinghuadou and a corresponding amount of claim recoverable have been recognised in the consolidated statement of financial position at 31 December 2009.

Upon the settlement made on 24 February 2010 to the plaintiff, the plaintiff issued an application for releasing the restricted assets mentioned above but the Court's release of the restriction has not yet completed up to the date of announcement. At the same time, the claim raised by another jointly liable party against the Group as stated in case (f) below has been withdrawn after the settlement day.

- (f) In November 2009, one of the jointly liable parties raised another claim against Zhongshi and the remaining jointly liable party for (i) the repayment of the consideration paid on behalf for the two parties which amounting to RMB20,000,000 (equivalent to approximately HK\$22,600,000) and (ii) the request for being exempted from the settlement of the court orders by the PRC local courts. With the settlement that made in February 2010 stated in case(e) above, this case has been withdrawn after the settlement day.
- (g) On 17 December 2009, a customer of Zhongshi has filed a lawsuit against it for the water leakage problem from the ceiling of the property that purchased from Zhongshi. It is estimated that the total expenses for the repairing works and legal costs incurred would be amounting to RMB61,000 (equivalent to approximately HK\$70,000). The directors of the Company are of the view that it is probable that Zhongshi will settle the reinstatement and legal cost incurred amounting of HK\$70,000. Therefore, a provision for claim was made during the year ended 31 December 2009.

13. EVENTS AFTER THE REPORTING PERIOD

- (a) On 31 December 2009, the Company entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital in a subsidiary, Merry World, at a cash consideration of HK\$33,680,000 and the estimate gain on disposal is approximately HK\$591,000. This transaction was completed on 6 January 2010.
- (b) On 18 February 2010, the Group entered into an agreement for the restructuring of the shareholding structure and the shareholders' loans of 諸城港龍置地有限公司(「諸城港龍」), 諸城泰豐置地有限公司(「諸城泰豐」) and 諸城鳳凰置地有限公司(「諸城鳳凰」) with the existing 20% minority shareholder, 北京世紀尊博投資有限公司(「世紀尊博」) (the "Reorganisation"). This reorganisation transaction represented the disposal of 80% equity interests in 諸城港龍 held by Zhongshi at a consideration of RMB27,900,000 and the acquisition of 20% equity interest in 諸城泰豐 and 諸城鳳凰, existing 80% owned subsidiaries, held by 世紀尊博 at a consideration of RMB16,600,000. At the same time, the shareholders' loans provided by Zhongshi and 世紀尊博 for the three entities will be restructured and the net amount payable by 世紀尊博 to the Group as a result of debt restructuring shall be approximately RMB6,900,000. Accordingly, 世紀尊博 shall pay to the Group in aggregate net amount of approximately RMB18,200,000. Upon the completion of the reorganisation transaction, 諸城泰豐 and 諸城鳳凰 will become the wholly-owned subsidiary of the Group, while 諸城港龍 will no longer be the subsidiary of the Group. As at the date of announcement, the transaction has not yet completed.

14. COMMITMENTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Expenditure in respect of the addition of properties under development and properties held for development contracted for but not provided in the consolidated financial statements	<u>4,360</u>	<u>386</u>

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(「連雲港物流」) at a consideration of approximately RMB181,000,000 (subject to adjustment) from CCHK. The transaction has not yet completed up to the date of this announcement. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008.

DIVIDEND

The Board does not recommend any payment of dividend for the year ended 31 December 2009 (year ended 31 December 2008: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL RESULTS

For the year ended 31 December 2009, the Group's turnover amounted to approximately HK\$5.54 million as compared with approximately HK\$988 million for the year ended 31 December 2008. It was mainly attributable to the turnover recorded for the completion and delivery of the Group's property development project located in Huzhou City, Zhejiang Province, the PRC in 2008, while no property development project of the Group was completed for sale in 2009.

Notwithstanding, the Group recorded profit attributable to owners of approximately HK\$62 million for the year ended 31 December 2009, representing a significant increase from approximately HK\$5.78 million for the year ended 31 December 2008. The increase was mainly attributable to a gain of approximately HK\$103 million from the disposal of interest in Goodwill (Overseas) Limited ("Goodwill"), an associate of the Group, the achievement in a successful asset restructuring undertaken by the Group for the year under review.

II. BUSINESS REVIEW

The year of 2009 witnessed a remarkable achievement in the Group's asset restructuring. During the year under review, the Group disposed of CIMPOR Chengtong Cement Corporation Limited ("CIMPOR Chengtong") and Goodwill, associates of the Group, which were engaged in cement business (the non-core business of the Group) and had no business respectively. Furthermore, the Group also disposed of Great Royal International Limited ("Great Royal") and Merry World Associates Limited, both being its subsidiaries. Such disposals not only presented the Group a good opportunity for asset realization, but also enabled the Group to devote resources to its principal businesses and invest in business opportunities with higher return, so as to boost growth in the future.

In respect of asset expansion, the Group completed the indirect acquisition of numerous parcels of industrial, commercial and residential land in Shenyang, Guilin, Changzhou and Dafeng with an aggregate site area of approximately 1,400,000 square metres, from China Chengtong Holdings Group Limited ("CCHG"), its ultimate controlling shareholder, during the year under review.

1. Property Development

(1) Zhucheng of Shandong Province

In 2008, the Group held three parcels of land located in Zhucheng, Shandong with site area of approximately 146,006 square metres, 99,599 square metres and 73,331 square metres, respectively through its three 80% owned joint ventures, Zhucheng Phoenix Landmark Company Limited ("Zhucheng Phoenix"), Zhucheng Prosperity Landmark Company Limited ("Zhucheng Prosperity") and Zhucheng Dragon Landmark Company Limited ("Zhucheng Dragon") respectively.

During the year under review, a residential and commercial complex project held by Zhucheng Phoenix named as “CCT-Champs-Elysees” commenced construction. This project is adjacent to the Dinosaur Park, the central park of Zhucheng city, and lies at the heart of the district. It is estimated that its total gross floor area will be around 350,000 square metres, including approximately 60,000 square metres for Phase I which is expected to be completed and generate income for the Group by the end of 2010 or early 2011.

In February 2010, the Group entered into a sale and purchase agreement with the minority shareholder of three joint ventures, pursuant to which, the Group agreed to acquire 20% equity interest in Zhucheng Phoenix and Zhucheng Prosperity at a consideration of approximately RMB16.6 million from the minority shareholder and the minority shareholder agreed to acquire 80% equity interest in Zhucheng Dragon from the Group at a consideration of approximately RMB27.9 million. In addition to the consideration for the transfer of equity interest in the joint ventures, the net amount payable by the minority shareholder to the Group as a result of restructuring the debts owing by Zhucheng Dragon to the Group and the debts owing by Zhucheng Phoenix and Zhucheng Prosperity to the minority shareholder shall be approximately RMB6.9 million. Upon completion of such transaction, the Group will own 100% equity interest in both Zhucheng Phoenix and Zhucheng Prosperity, and the minority shareholders will hold 100% equity interest in Zhucheng Dragon. Such shareholding restructuring could enable the Group to concentrate its resources and expedite the development of two of the parcels of land.

(2) Dafeng of Jiangsu Province

During the year under review, the Group obtained through indirect acquisition of 66.67% equity interest in Chengtong Dafeng Harbour Development Limited (“Chengtong Dafeng”) from CCHG five parcels of land with a total site area of approximately 1,030,000 square metres located in Dafeng City, Jiangsu Province. Four of the five parcels of land situated in the Ocean Economic Development Area of Dafeng City with a total site area of approximately 480,000 square metres could be developed into residential and commercial projects. During the year under review, one parcel of land had undertaken site preparation work. The construction and development of the main structure of the “Chengtong International New Town” development project, a comprehensive commercial and residential project with a diversified international metropolis theme, will be carried out in 2010.

With the completion and operation of coastal expressways and Suzhou-Nantong Bridge across the Yangtze River, Dafeng City which is located in the northern part of Jiangsu Province has been incorporated into the Shanghai-Nanjing 2-hour metropolitan circle. In addition, Dafeng Harbour is the only deepwater port in the central coastal area of Jiangsu Province and is strategically one of the three major coastal ports in Jiangsu Province. With the development of Dafeng Harbour, the property demand in Dafeng city is expected to grow due to the increase in local governmental institutions, enterprises, merchants and investors in the local area.

(3) Beijing

In 2009, the Group's property development project ("Beijing City of Mergence") located at Xicheng District of Beijing sold approximately 1,070 square metres of warehousing area. Together with the rental income from parking spaces of approximately HK\$0.18 million, it contributed a turnover of approximately HK\$3.86 million, representing a decrease of approximately 59% from the turnover of approximately HK\$9.42 million generated from the sales of approximately 1,131 square metres of commercial and warehousing area in 2008. The decrease was mainly attributable to a lower selling price of warehousing area as compared with commercial area.

As at 31 December 2009, there were only approximately 1,000 square metres of commercial and warehousing area in aggregate and 101 parking spaces (including those leased out) remained unsold at Beijing City of Mergence.

(4) Huzhou of Zhejiang Province

The principal asset of Great Royal, a wholly-owned subsidiary of the Group, is its 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"). The only property development project of Huzhou Wangang (Qing He Jiayuan) had been completed and delivered to the buyer in 2008. 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. The disposal, which had been completed, resulted in a gain of approximately HK\$4.31 million for the Group.

2. Property Investment

(1) Shanghai

The principal asset of Goodwill, an associate in which the Group hold 32% equity interest, was the loan advanced for developing a commercial property project located in Shanghai, namely "Shanghai East Ocean Centre Phase II".

With the dedicated effort of its management, the Group successfully realized the potential value of such asset during the year under review. In September 2009, it entered into an agreement with an independent third party pursuant to which the Group agreed to dispose of its 32% equity interest in and the loan advanced to Goodwill at a consideration of US\$27,500,000. The transaction had been completed in November 2009 and a gain of approximately HK\$103 million was recorded for the Group, which marked a prominent achievement in the Group's asset reorganization.

(2) Guangzhou

The Group held a retail shop located at Zone C of Level 3 at Li Wan Plaza in Guangzhou of the PRC with an area of approximately 5,370 square metres through Merry World Associates Limited, its wholly-owned subsidiary. It contributed rental income of approximately RMB1,090,000 and RMB1,040,000 for the Group in 2009 and 2008, respectively. Its rental return is low at all times.

On 31 December 2009, the Group entered into an agreement with an independent third party to dispose of Merry World Associates Limited at a consideration equivalent to HK\$33,680,000. The disposal was completed in January 2010. The disposal was in line with the Group's strategy in that it enabled the Group to devote its resources to assets or business opportunities with higher return to realize better growth in the future.

(3) Land Resources Exploitation

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

During the year under review, the Group completed the acquisition of three parcels of land for industrial use, located in Changzhou of Jiangsu Province, Shenyang of Liaoning Province and Guilin of Guangxi Province from CCHG indirectly.

(i) Changzhou of Jiangsu Province

The parcel of land, with a site area of approximately 84,742 square metres, is located to the northeast of Sanjiaochang of Changzhou city, a small-commodity distribution centre at the northeast of Changzhou urban district, and is surrounded by residential communities.

(ii) Shenyang of Liaoning Province

The parcel of land, with a site area of approximately 247,759 square metres, is located at Hushitai Development Zone, Shenbei New District, Shenyang. The Shenbei New District is a new administrative district officially approved by the State Council in November 2006, the fourth one approved to be established subsequent to the Pudong new district of Shanghai, the Binhai new district of Tianjin and the Zhengdong new district of Zhengzhou. It enjoys municipal-level economic administrative authority and certain urban planning and construction authority. The district is located in close proximity with the Shenbei Avenue which will be accessible via a subway to be put into operation by 2011.

(iii) Guilin of Guangxi Province

The parcel of land, with a site area of approximately 55,412 square metres, is located at the juncture of Wanfu Road and Kaifeng Road. Wanfu Road, being the main artery that connects the east and the west of Guilin city and being also the second ring road of the city, is the only urban trunk road that connects the west part and the south part of Guilin city. It is also a major road connecting Guilin and Liuzhou and a node via which Guilin-Wuzhou Expressway accesses to the urban area. Commercial and residential projects have been developed in its circumjacent areas.

Given the convenient accessibility of the aforesaid lands, the actual situation in adjacent areas and demand for city development, the Group believes that such lands, although currently zoned for industrial and storage purposes, have huge potential for development and investment in the long term

(II) Luoyang of Henan Province

The Group acquired a parcel of land located in Luoyang, Henan Province, the PRC, together with the warehouse complex erected thereon, with a site area of approximately 80,000 square metres in 2007 from CCHG. The parcel of land has been zoned into commercial development area and its potential value has been improved significantly. The Group has an intention to change its use from industrial purpose to commercial purpose or realize its value at appropriate time, subject to investment returns, future market conditions as well as relevant laws and regulations.

3. Strategic Investment

Cement business

Considering that huge capital commitments are required for further development of cement business, which however is not the Group's principal business, the Board decided and completed the disposal of 20% interest in CIMPOR Chengtong held by the Group to its substantial shareholder in April 2009, in order to focus its resources on the development of its principal businesses. The disposal contributed a gain of approximately HK\$1.13 million to the Group. In addition, the Group shared CIMPOR Chengtong's consolidated profit attributable to shareholders of approximately HK\$6.10 million before its disposal for the year under review. The Group will further identify other appropriate strategic investment opportunities in the future.

III. OUTLOOK

Since the outburst of financial tsunami in 2008, the PRC, the United States of America and most European countries adopted large-scale quantitative easing policies in money supply, which have contributed to the economic recovery. The economic stimulating measures launched by the PRC government at the end of 2008 successfully activated market sentiment and led to a stronger-than-expected rally in the property market in 2009. As a restless acceleration in the PRC's property market in the short term would jeopardize the long-term development of China's economy, it is expected that the PRC government would, as and when it sees justifiable stability in the economic environment, introduce certain noticeable fine-tuning actions and policies with an aim to cooling down the potentially overheated property market. The property price is expected to fluctuate within a narrower band in 2010 as short-term demand would, to a large degree, be subject to regulatory environment. However, the fundamentals underpinning long-term property demand remain intact in that main drivers for long-term demand will still be the urbanization and income growth, as well as continuous purchase of quality assets by foreign fund institutions in order to strengthen their presence in the PRC market. As such, the PRC property market is expected to attract more and more domestic and foreign investors seeking long-term stable yield.

At present, the Group had a land bank with an aggregate site area of 796,000 square metres available for commercial/residential use, and land resources with an aggregate site area of 1,012,000 square metres available for other uses. In 2010, the Group will continue to develop the existing projects and lands, including various land developments in Zhucheng, Shandong Province and Dafeng, Jiangsu Province. Besides that, it will keep striving to fulfil certain conditions precedent under the sale and purchase agreement entered into with China Chengtong Hong Kong Company Limited ("CCHK"), its substantial shareholder, and CCHG in relation to the acquisition of 100% interest in 連雲港物流, including obtaining the necessary approvals, consents and authorizations from the PRC government as soon as possible. Such transaction, upon completion, would add approximately 360,000 square metres to the land bank of the Group.

Moreover, with breakthroughs achieved in the asset reorganization in 2009, the Group has basically disposed of all of its non-core businesses and historical low-yield assets, and has plenty of cash resources for further development. In 2010, the Group will dedicate itself to expediting its development, identifying targets for mergers and acquisitions and new business opportunities, including but not limited to discussion with CCHG for possible acquisition of land resources, in order to increase stable sources of revenue and expand its quality assets.

Gearing Ratio

At 31 December 2009, the Group's gearing ratio calculated on the basis of loan from minority shareholders of subsidiaries, loan from substantial shareholder, bank loan and other loans of approximately HK\$70.8 million and total assets of approximately HK\$1,605.2 million, was 4% (31 December 2008: 18%).

Liquidity and Capital Resources

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

At 31 December 2009, the Group had cash and bank balances amounting to approximately HK\$621.85 million (31 December 2008: approximately HK\$99.79 million), and current assets and current liabilities of approximately HK\$1,341.19 million and HK\$159.68 million respectively (31 December 2008: approximately HK\$898.6 million and HK\$364.57 million respectively). Out of the cash and bank balances of approximately HK\$621.85 million at 31 December 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 31 December 2009, the Group's bank borrowings amounted to approximately HK\$45.6 million which was secured and repayable within one year with interest at commercial rate. The 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\$17.97 million were unsecured, interest bearing at 5.31% per annum and is due for repayment on demand within 3 years from the date the Group obtained the certificate of the land use right for the properties held for development and property under 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 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 and Emolument Policy

At 31 December 2009, the Group employed a total of 54 employees, of which 11 were based in Hong Kong and 43 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's corporate goals, their individual performance and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to directors and eligible employees to subscribe the shares of the Company.

Pledge of Asset

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

At 31 December 2008, the bank loan was secured by the land use right of the completed properties which were sold to the Huzhou local government in year 2008.

Commitments

At 31 December 2009, the Group had capital commitment contracted for but not provided in the consolidated financial statement of approximately HK\$4,360,000 (2008: HK\$386,000) for the expenditure in respect of additions of properties under development and properties held for development.

In October 2008, the Group has entered into a sale and purchase agreement to acquire 100% interest in 連雲港物流 at a consideration of approximately RMB181,000,000 (subject to adjustment) from CCHK. The transaction has not yet completed up to the date of this announcement. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008.

Other

At 31 December 2009, the court restricted the rights to transfer the Group's certain properties held for sale and equity interest in a subsidiary. Details of the restrictions are set out in Note 12(e) of notes to the consolidated financial statements.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 of all the directors of the Company, they confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that a sufficient number of independent non-executive directors shall be appointed by listed issuers and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. For the detailed profile of the independent non-executive directors of the Company, please see the annual report of the Company for the year 2009.

CORPORATE GOVERNANCE

The Board of Directors (“the Board”) appreciates that the 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 on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December 2009, save as disclosed below in this paragraph:

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.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive directors, including Mr. Kwong Che Keung, Gordon (Chairman of the Audit Committee), Mr. Tsui Yiu Wa, Alec, Mr. Lao Youan and Mr. Ba Shusong and one non-executive director, Ms. Xu Zhen. The principal duties of the Audit Committee include the review of the Company’s financial reporting procedures, internal controls and results of the Group. The audited consolidated financial statements of the Company for the year ended 31 December 2009 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

Pursuant to the provisions of the Code as set out in Appendix 14 of the Listing Rules, the Board of Directors has established the remuneration committee. The committee comprises three Independent Non-executive Directors, Mr. Tsui Yiu Wa, Alec (Chairman of the Remuneration Committee), Mr. Kwong Che Keung, Gordon and Mr. Lao Youan and the Chairman of the Board, Mr. Zhang Guotong. The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters.

NOMINATION COMMITTEE

The Company has established a Nomination Committee and was chaired by the Chairman of the Board, Mr. Zhang Guotong, others members of the Nomination Committee including three Independent Non-executive Directors, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan. Nomination Committee responsible for nominating potential candidates for directorship appointment and succession, regular review on the composition and structure of the Board and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at <http://www.irasia.com/listco/hk/chengtong>. The 2009 Annual Report of the Company will be available on both websites and dispatched to Shareholders in due course.

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

Hong Kong, 8 March 2010

As at the date of this announcement, the executive Directors are Mr. Zhang Guotong, Mr. Wang Hongxin and Mr. Wang Tianlin; the non-executive Directors are Mr. Gu Laiyun and Ms. Xu Zhen; and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, Mr. Lao Youan and Mr. Ba Shusong.