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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 2010 FINAL RESULTS

The board (the "Board") of directors (the "Directors") of China Chengtong Development Group Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010	2009
	NOTES	***HK$'000***	*HK$'000*
Turnover	3	**89,996**	5,536
Cost of sales		**(78,672)**	(14,033)
Gross profit (loss)		**11,324**	(8,497)
Other income	4	**8,914**	2,994
Selling expenses		**(2,154)**	(47)
Administrative expenses		**(41,636)**	(28,799)
Impairment of goodwill		**(209)**	—
Gain (loss) on change in fair value of investment properties		**2,760**	(11,400)
Gain on change in fair value of held-for-trading securities		**2,099**	7,861
Gain on disposals of subsidiaries		**99,817**	4,308
Gain on disposals of associates		**—**	103,751

CONSOLIDATED INCOME STATEMENT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	**2010** **HK$'000**	2009 HK$'000
Net reversal of provisions for claims (net provisions for claims)	12	**18,076**	(19,162)
Finance costs	5	**(29)**	(1,611)
Share of result of an associate		**—**	6,102
Profit before taxation		**98,962**	55,500
Taxation (charge) credit	6	**(12,690)**	4,156
Profit for the year	7	**86,272**	59,656
Profit (loss) for the year attributable to:			
Owners of the Company		**87,890**	61,982
Non-controlling interests		**(1,618)**	(2,326)
		86,272	59,656
Earnings per share	9		
— Basic		**HK2.11 cents**	HK2.14 cents
— Diluted		**N/A**	HK2.14 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	**2010** **HK$'000**	2009 HK$'000
Profit for the year	7	**86,272**	59,656
Other comprehensive income			
Exchange differences arising during the year		**47,133**	1,455
Total comprehensive income and expense for the year		**133,405**	61,111
Total comprehensive income and expense attributable to:			
Owners of the Company		**130,267**	63,380
Non-controlling interests		**3,138**	(2,269)
		133,405	61,111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	**2010** **HK$'000**	2009 *HK$'000*
Non-current assets			
Property, plant and equipment		**8,047**	8,554
Investment properties		**222,784**	251,256
Restricted bank balance		**4,200**	4,200
		235,031	264,010
Current assets			
Properties held for sale		**—**	11,852
Properties held for development		**291,259**	411,865
Properties under development		**318,030**	203,077
Trade and other receivables	10	**67,378**	6,564
Receivable under finance lease arrangement		**60,154**	—
Claim recoverable	12	**—**	9,765
Amount due from a non-controlling shareholder of a subsidiary		**17,958**	23,978
Amount due from an intermediate holding company		**—**	1,742
Held-for-trading securities		**8,266**	14,443
Bank balances and cash		**716,617**	617,649
		1,479,662	1,300,935
Assets classified as held for sale		**—**	40,255
		1,479,662	1,341,190
Current liabilities			
Trade and other payables	11	**35,525**	37,454
Deposits received on sale of properties		**39,396**	7,245
Deposit received from disposal of assets held for sale		**—**	3,407
Provisions for claims	12	**—**	29,923
Amounts due to related companies		**508**	361
Amount due to ultimate holding company		**461**	—
Amount due to a non-controlling shareholder of a subsidiary		**—**	3,978

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
AT 31 DECEMBER 2010

	2010	2009
	HK$'000	*HK$'000*
Taxation payable	**8,663**	3,319
Secured bank loans	**47,200**	45,600
Unsecured other loans	**600**	3,260
Loans from a non-controlling shareholder of subsidiaries	**—**	17,965
	132,353	152,512
Liabilities associated with assets classified as held for sale	**—**	7,166
	132,353	159,678
Net current assets	**1,347,309**	1,181,512
Total assets less current liabilities	**1,582,340**	1,445,522
Non-current liabilities		
Deferred tax liabilities	**1,907**	718
Net assets	**1,580,433**	1,444,804
Capital and reserves		
Share capital	**417,344**	417,344
Share premium and reserves	**1,005,042**	875,457
Equity attributable to owners of the Company	**1,422,386**	1,292,801
Non-controlling interests	**158,047**	152,003
Total equity	**1,580,433**	1,444,804

1. BASIS OF PREPARATION

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 of Hong Kong Limited ("Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company is Renminbi ("RMB"). 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")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA that are effective for the Group's financial year beginning 1 January 2010.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised 2008)	Business combinations
HKAS 27 (Revised 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners
HK - INT 5	Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

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

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

New and revised Standards and Interpretations applied in the current year *(continued)*

HKFRS 3 (Revised 2008) Business combinations

HKFRS 3 (Revised 2008) "Business combinations" has been applied prospectively from 1 January 2010. Its application has affected the accounting for the acquisition of a subsidiary in the current year.

- HKFRS 3 (Revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (Revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the HKFRS 3 (Revised 2008), contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (Revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The impact of adoption of HKFRS 3 (Revised 2008) on the acquisition during the current period has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. The amount of acquisition-related costs in current year is insignificant.

HKAS 27 (Revised 2008) Consolidated and separate financial statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

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

New and revised Standards and Interpretations applied in the current year *(continued)*

HKAS 27 (Revised 2008) Consolidated and separate financial statements (continued)

Previously, for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (Revised 2008), all such increases or decreases of interest in existing subsidiaries that did not involve a loss of control are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the HKAS 27 (Revised 2008) requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

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

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

New and revised Standards and Interpretations applied in the current year *(continued)*

The Group has not early applied the following new and revised standards and amendments and interpretations that have been issued but are not yet effective, except for partial exemption from disclosure requirements for government-related entities in accordance with HKAS 24 (Revised) Related party disclosures.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters[8]
HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets (except for paragraphs 25 to 27)[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.
8 Effective for annual periods beginning on or after 1 July 2011.

The amendments to HKAS 12 titled "Deferred Tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company are assessing the impact of the amendments to the Group.

Except for the above, the directors of the Company anticipate that the application of the above new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

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

The Group's reportable operating segments under HKFRS 8 for the year ended 31 December 2009 included two operations: (i) property development and (ii) property investment. During the year ended 31 December 2010, the Group has developed two new operations and the reportable segments have increased to four segments, namely (i) property development; (ii) property investment; (iii) financial leasing and (iv) trading of coal.

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

(1) Property development - holding land for property development projects;

(2) Property investment - providing rental services and holding investment properties for appreciation;

(3) Financial leasing - providing financial leasing service including arranging sales and leaseback transaction; and

(4) Trading of Coal - trading of coal in the People's Republic of China (the "PRC").

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

For the year ended 31 December 2010

	Property investment *HK$'000*	Property development *HK$'000*	Financial leasing *HK$'000*	Trading of coal *HK$'000*	Total *HK$'000*
Turnover					
Segment turnover					
— external sales	**2,129**	**19,766**	**2,187**	**65,914**	**89,996**
Result					
Segment result	**1,574**	**9,531**	**1,571**	**(20)**	**12,656**
Unallocated corporate expenses					**(18,707)**
Unallocated other income					**337**
Gain on change in fair value of investment properties					**2,760**
Gain on disposals of subsidiaries					**99,817**
Gain on change in fair value of held-for-trading securities					**2,099**
Profit before taxation					**98,962**

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2009

	Property investment *HK$'000*	Property development *HK$'000*	Total *HK$'000*
Turnover			
Segment turnover — external sales	1,676	3,860	5,536
Result			
Segment result	573	(42,841)	(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			6,102
Profit before taxation			55,500

Segment result does 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 represent 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, gain on disposal of subsidiaries and associates and fair value change of investment properties and held-for-trading securities. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 31 December 2010

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

	Property investment *HK$'000*	Property development *HK$'000*	Financial leasing *HK$'000*	Trading of coal *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets excluding financial instruments	974	668	14	6	6	1,668
Loss on disposal of property, plant and equipment	(4)	—	—	—	—	(4)
Depreciation	(286)	(1,328)	—	—	(19)	(1,633)
Impairment of goodwill	—	—	—	(209)	—	(209)
Write-off of other receivable	—	—	—	—	(393)	(393)
Net reversal of provisions for claims	—	18,076	—	—	—	18,076
Gain on disposals of subsidiaries	33,217	52,394	—	—	14,206	99,817

For the year ended 31 December 2009

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

	Property investment *HK$'000*	Property development *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
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)
Gain on disposal of a subsidiary	—	4,308	—	4,308

All the Group's significant operations, external customers and non-current assets during the two years ended 31 December 2010 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:

	2010	2009
	HK$'000	*HK$'000*
Customer A *(note 3)*	**65,914**	N/A
Customer B *(note 1)*	**N/A**	1,180
Customer C *(note 2)*	**N/A**	911
Customer D *(note 2)*	**N/A**	881
Customer E *(note 2)*	**N/A**	795
	65,914	3,767

Notes:

1. Revenue from property investment.

2. Revenue from property development.

3. Revenue from trading of coal.

Turnover from major products and services

	2010	2009
	HK$'000	*HK$'000*
Rental income	**2,129**	1,676
Sales of properties	**19,766**	3,860
Service income from financial leasing*	**2,187**	—
Sales of coal	**65,914**	—
	89,996	5,536

* Service income from financial leasing included interest income from leasing arrangement and handling income. Handling income is recognised when a finance lease receivable is factored to a bank under a non-recourse arrangement, the handling income received by the Group is recognised immediately and included in service income from financial leasing.

4. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Interest income from bank deposits	**5,029**	780
Interest income from a non-controlling shareholder of a subsidiary	**1,033**	—
Reimbursement of shared claims expenditure from a fellow subsidiary	**1,746**	—
Others	**1,106**	613
Exchange gain	**—**	1,511
Consultancy and service income from a former associate	**—**	90
	8,914	2,994

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**2,781**	1,405
Interest paid to a non-controlling shareholder of subsidiaries	**80**	59
Interest paid to China Chengtong Hong Kong Company Limited ("CCHK"), the intermediate holding company of the Company and the former substantial shareholder	**—**	185
	2,861	1,649
Less: Amounts capitalised *(Note)*	**(2,832)**	(38)
	29	1,611

Note:

The amount represents the borrowing costs that directly attributable to the properties under development.

6. TAXATION CHARGE (CREDIT)

Hong Kong Profits Tax is calculated 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 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.

	2010	2009
	HK$'000	*HK$'000*
The taxation charge (credit) comprises:		
Current tax:		
PRC Enterprise Income Tax	**10,801**	—
Deferred taxation		
— Current year charge (credit)	**1,889**	(4,156)
Taxation charge (credit) for the year	**12,690**	(4,156)

7. PROFIT FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit for the year is arrived at after charging and (crediting):		
Auditor's remuneration	**850**	800
Depreciation of property, plant and equipment	**1,633**	1,295
Less: Amounts capitalised in properties under development	**(122)**	(37)
	1,511	1,258

7. PROFIT FOR THE YEAR *(continued)*

	2010 *HK$'000*	2009 *HK$'000*
Minimum lease payments in respect of rented premises	**2,897**	2,551
Contributions to retirement benefits schemes (including directors' emoluments)	**1,137**	848
Staff costs (including directors' emoluments)	**18,476**	13,050
Total staff costs	**19,613**	13,898
Less: Amounts capitalised in properties under development	**(998)**	—
	18,615	13,898
Cost of inventories recognised as an expense	**77,334**	5,855
Write-off of other receivable	**393**	—
Impairment of goodwill	**209**	—
Impairment loss on properties held for sale	**—**	7,789
Reversal of allowance for trade and other receivables	**(115)**	(284)
Loss (gain) on disposal of property, plant and equipment	**4**	(59)
Reversal of allowance for amount due from an associate	**—**	(1,086)

8. DIVIDENDS

The final dividend of HK0.7 cents (2009: nil) per share has been proposed by the directors of the Company and it is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. 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:

	2010	2009
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company and earnings for the purposes of basic and diluted earnings per share	**87,890**	61,982

	Number of shares	
	2010	2009
Number/weighted average number of ordinary shares for the purpose of basic earnings per share	**4,173,434,227**	2,901,318,091
Effect of dilutive potential ordinary shares in respect of share options	**N/A**	4,189
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	2,901,322,280

There is no potential ordinary shares outstanding during the year ended 31 December 2010.

10. TRADE AND OTHER RECEIVABLES

The Group allowed an average credit period of 30 days to its trade debtors from sales of goods for the year ended 31 December 2009. There is no credit period granted to the customer of the coal trading business and the trade receivables are due upon the delivery of goods to the customers.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
Two to three months	**37,076**	—
Over five years	**—**	3,001
	37,076	3,001

10. TRADE AND OTHER RECEIVABLES *(continued)*

As at 31 December 2010, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$37,076,000 (2009: HK$3,001,000) are past due at the reporting date for which the Group has not provided for impairment loss as the directors are of the view that such receivables can be fully recoverable. The Group does not hold any collateral over such receivables.

11. TRADE AND OTHER PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,436**	—
Over three years	**—**	8,453
	1,436	8,453

12. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS

Provisions for claims represented the provision for several legal cases of a wholly-owned subsidiary of the Group, 中實投資有限責任公司("Zhongshi"). Upon reaching settlements with counterparties and the disposal of Zhongshi by the Group in December 2010, all the claim recoverable and provisions for claims were derecognised by the Group as at 31 December 2010. A movement during the year and the details of the provisions for claims on respective legal cases or claims are set out below:

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**29,923**	4,487
Currency realignment	**12**	40
Gross provisions for claims (reversed) charged for the year	**(27,841)**	28,927
Payment made for settlement during the year	**(1,569)**	(3,531)
Eliminated on disposal of Zhongshi	**(525)**	—
At 31 December	**—**	29,923

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

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

	2010	2009
	HK$'000	*HK$'000*
Gross provisions for claims (settled and reversed) charged for the year	**(27,841)**	28,927
Claim recoverable settled and reversed (recognised)**	**9,765**	(9,765)
Net provisions of claims (reversed) charged to the consolidated income statements	**(18,076)**	19,162

** At 31 December 2009, a separate asset of corresponding amount was recognised in the consolidated statement of financial position.

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

As described in note 33(b) of the 2009 Financial Statements, a court order was issued on 18 December 2009 which stated that Zhongshi was liable to pay for the claim amounted to approximately RMB873,000 (equivalent to approximately HK$995,000) and the interest accrued. The Group made an appeal to the court in December 2009. During the current year, a court order and an execution order were issued. The Group then paid approximately RMB1,113,000 (equivalent to approximately HK$1,269,000) in August 2010. The under provision for claim of approximately HK$46,000 has been charged during the current year. Furthermore, Zhongshi has applied for litigation against that independent contractor to recover 50% ownership of a property or equivalent compensation.

As described in note 33(c) of the 2009 Financial Statements, Zhongshi entered into a provisional sales contract and a sales contract with respective customers for sales of certain developed properties in Beijing, the PRC and the customers made counterclaims against Zhongshi.

In November 2008, Zhongshi applied for court orders to terminate the provisional sales contract and the sales contract with the respective customers and made claims for rental income for occupancy of the concerned properties from these customers. During the year ended 31 December 2009, the customers made counterclaims against Zhongshi.

In current year, Zhongshi has reached settlement agreements with both customers. Zhongshi agreed to pay approximately RMB247,000 (equivalent to approximately HK$281,000) to the customers for compensation. The customers agreed to complete the transactions and pay the balance payment of approximately RMB5,171,000 (equivalent to approximately HK$5,895,000). The corresponding provision for claims amounting to approximately HK$18,071,000 has been reversed accordingly. Sale of developed properties amounting to approximately RMB11,123,000 (equivalent to approximately HK$12,680,000) have been recognised as revenue during the current year.

As described in note 33(d) of the 2009 Financial Statements, provision of approximately RMB450,000 (equivalent to approximately HK$513,000) was made for the reinstatements of unauthorized structure of a property development project. Upon disposal of Zhongshi, such provision for claim of RMB450,000 (equivalent to approximately HK$525,000) has been derecognised.

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

As described in note 33(e) of the 2009 Financial Statements, a settlement has been reached in respect of the unpaid consideration for the transfer of interest in 北京京華都房地產開發有限公司 by all jointly liable parties with the plaintiff in February 2010. The settlement was completed on 24 February 2010 and the provision for claim and the corresponding claim recoverable both amounted to approximately HK$9,765,000 have been set off. After the settlement date, the restriction on the property held for sale and the 100% equity interest in 洛陽城南中儲物流有限公司 have been released in June and August 2010 respectively. Furthermore, the claim raised by another jointly liable party against the Group in November 2009 as described in note 33(f) of the 2009 Financial Statements has been withdrawn after the settlement day.

13. COMMITMENTS

In October 2008, the Group has entered into a sale and purchase agreement to acquire 100% interest in 連雲港中儲物流有限公司 at a consideration of approximately RMB181,000,000 (subject to adjustment) from CCHK. The 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.

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL RESULTS

For the year ended 31 December 2010, the Group recorded profit attributable to owners of the Company of approximately HK$87.89 million, representing an increase of around 42% from approximately HK$61.98 million for the year ended 31 December 2009. The increase was mainly attributable to the increase in profit from industrial and logistic land development business and property development business compared to that of 2009 during the year under review. It included the realisation of profit on the land held for development, industrial and logistic land through the disposal of a few subsidiaries holding those plots of land, sale of the property development project "Beijing City of Mergence", and the reversal of provisions for claims on legal cases of that property development project as a result of settlement agreements reached during the year under review.

For the year ended 31 December 2010, the Group's turnover amounted to approximately HK$90 million, representing a significant increase from approximately HK$5.54 million for the year ended 31 December 2009. The increase was mainly attributable to the commencement of coal trading business.

II. BUSINESS REVIEW

During the year under review, the Group's principal activities all made steady progress and the industrial and logistic land development business in particular achieved good return. The Group also successfully commenced the financial leasing and coal trading businesses.

1. Property Investment

(I) Industrial and Logistic Land Resources Development

Industrial and logistic land resource has been one of the Group's strengths. China Chengtong Holdings Group Limited ("CCHG"), the ultimate controlling shareholder of the Group, possesses over 10 million square metres of land for industrial and warehousing purposes. The Group previously acquired several parcels of land from CCHG. For the land and warehousing facilities suitable for further logistic development, the Group will make necessary investment in the facilities and lease them out. For the land that is no longer suitable for industrial and warehousing purposes, the Group will make proper land preparation, procure the change of its use into commercial and residential purposes, and then dispose it to earn profit at appropriate time.

During the year under review, the Group disposed of a parcel of land in Luoyang with a rate of return over 100% after holding it for three years.

(1) Luoyang of Henan Province

In August 2010, the Group entered into a purchase and sale agreement with an independent third party, pursuant to which the Group disposed of 100% equity interest in Luoyang Southern City CMST Logistic Limited (洛陽城南中儲物流有限公司) ("Luoyang Logistic") and its creditor's rights at a consideration of approximately RMB61.85 million. The principal assets of Luoyang Logistic consist of a parcel of land located in Luoyang, Henan Province, the People's Republic of China (the "PRC" or "China"), together with the warehouse complex erected thereon, with a site area of approximately 74,452 square metres. Since acquiring the equity interest in this company from a subsidiary of CCHG in June 2007, the Group on one hand leased the warehouse complex erected on the land to a subsidiary of CCHG and on the other hand actively procured the planned use of the land to be changed to commercial development purpose, thus significantly boosting its potential value. The disposal contributed not only a gain of approximately RMB28.13 million but also provided useful experience to the Group in maximizing profit return on its industrial and logistic land resources development business.

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

Chengtong Industrial Investment Limited (誠通實業投資有限公司) ("Chengtong Industrial"), a wholly-owned subsidiary of the Group, holds three parcels of land located in Changzhou of Jiangsu Province, Shenyang of Liaoning Province and Guilin of Guangxi Province, together with the warehouse complexes or plants erected thereon, with a site area of approximately 84,742 square metres, 247,759 square metres and 55,412 square metres respectively. The three parcels of land all enjoy convenient accessibility and are surrounded by areas under dynamic development.

During the year under review, all of the three parcels of land were leased out to earn stable income. During the year under review, the Group also proactively coordinated with the local governments with reference to the development status of surrounding areas in order to promote the concept of these lands and procure the change of their planned uses, with a view to increase their potential value.

In the future, the Group will, depending on market conditions and investment return, realize their value at appropriate time or convert them to self-owned lands for commercial purposes according to applicable laws and regulations.

(II) Others

On 31 December 2009, the Group entered into an agreement with an independent third party to dispose of Merry World Associates Limited ("Merry World"), a subsidiary of the Group, at a consideration equivalent to HK$33.68 million, with a view to devote the Group's resources to other assets or business opportunities with higher return. The principal asset of Merry World is a retail shop located at Zone C of Level 3 at Li Wan Plaza in Guangzhou of the PRC with an area of approximately 5,366 square metres. The sale was completed in January 2010.

2. Property Development

(I) Zhucheng of Shandong Province

CCT-Champs-Elysees, located in Zhucheng of Shandong Province, has a total gross floor area of approximately 305,000 square metres. Phase I with total gross floor area of approximately 80,000 square metres had commenced construction gradually since November 2009. As of the date hereof, Phase I has achieved satisfactory pre-sales and is expected to be completed and ready for delivery to the owners in 2011. Phase II, with total gross floor area of approximately 63,000 square metres, is scheduled to commence construction in 2011.

In order to rationalise resources allocation, the Group conducted reorganisation and realised its residential projects located in Zhucheng during the year under review. Upon the completion of the reorganisation of shareholding structure and certain debts of three subsidiaries (previously owned as to 80% by the Group) in April 2010 in Zhucheng of Shandong Province, Zhucheng Phoenix Landmark Company Limited and Zhucheng Prosperity Landmark Company Limited ("Prosperity Landmark") became wholly-owned subsidiaries of the Company and the Group ceased to have any interest in Zhucheng Dragon Landmark Company Limited. In addition, the Group disposed of all the equity interest in Prosperity Landmark to an independent third party in the second half of 2010 and recorded a gain of approximately HK$46.80 million from the disposal.

(II) Dafeng of Jiangsu Province

Chengtong Dafeng Harbour Development Limited ("Chengtong Dafeng"), a subsidiary of the Group, holds five parcels of land with a total site area of approximately 1,030,000 square metres located in Dafeng City, Jiangsu Province. Four of them situated in the Harbour Economic Development Zone 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, Chengtong Dafeng was mainly engaged in the development of section I of the initial development area of "Chengtong International City" which has a site area of approximately 16,533 square metres and gross floor area of approximately 16,070 square metres. The pre-sale which commenced in November 2010 has been satisfactory. The section I project will be ready for delivery to the owners in 2011.

Chengtong Dafeng holds a parcel of industrial land located with a site area of approximately 550,000 square metres. This parcel of land is located in close proximity to the Dafeng Harbour New City and has the potential to convert its planned use in the long run.

With the implementation of the state's supporting policies on Jiangsu coastal development strategy, Dafeng Harbour Economic Development Zone will develop at a rapid pace. Chengtong International City, close to the urban circling water system in the east, the Shugang highway in the south, the ocean science and education town in the west and the administrative centre of the new city in the north, is just located in the core of the new city in the development zone. As more enterprises build their presences in the harbour zone and the population increases, these lands will have good appreciation potential.

(III) Beijing

In 2010, the Group's Beijing City of Mergence Project developed by 中實投資有限責任公司 ("Zhongshi"), a wholly-owned subsidiary of the Group, recorded a turnover of approximately HK$19.7 million and a gross profit of approximately HK$7.9 million from sale of approximately 849 square metres of commercial area and 97 parking spaces. Given that Zhongshi did not undertake any other property developments since the completion of development of Beijing City of Mergence and in order to simplify the corporate structure of the Group, reduce administrative expenses and enhance the efficiency, the Group entered into sale and purchase agreements with an independent third party and thereby completed the disposal of the entire equity interests in its two subsidiaries, namely, Talent Dragon Limited and China Chengtong Properties Group Limited ("CCPGL") in December 2010. The principal assets of Talent Dragon Limited and CCPGL represent their respective 70% and 30% equity interests in Zhongshi.

3. Trading of Coal

In October 2010, Chengtong Dafeng Harbour Construction Limited (誠通大豐海港工程建設有限公司) ("Dafeng Construction"), an indirect subsidiary owned as to 66.67% by the Group, and Shaoguan City Qu Jiang Xu Da Fuel Limited (韶關市曲江旭達燃料有限公司) jointly acquired Dafeng Ruineng Fuel Company Limited (大豐瑞能燃料有限公司) ("Dafeng Ruineng") at a consideration of RMB5.35 million. In addition, after the acquisition, the registered capital of Dafeng Ruineng was increased to RMB50 million with Dafeng Construction holding 51% equity interest.

In the fourth quarter of 2010, Dafeng Ruineng commenced coal trading business. During the year under review, Dafeng Ruineng sold an aggregate of approximately 76,000 tonnes of coal and recorded sales revenue of approximately RMB56 million.

In the coming years, coal will remain the major fuel for power generation in China, and the Eastern China and the southeastern coastal areas are the key regions of coal consumption. Dafeng Harbour enjoys great advantages in cost and geological location and is therefore well positioned to accommodate both coal import and transshipment of domestic coal. With the support by Dafeng Harbour, Dafeng Ruineng's coal trading business will benefit from the Group's relationship with governmental bodies and human resources in Dafeng City. In the meanwhile, it can also make full use of the Group's industrial land in Dafeng City and contribute to its appreciation. In addition, the Group will conduct a feasibility study on the construction of a self-run coal port at Dafeng Harbour.

4. Financial Leasing

In September 2010, the Group established a subsidiary named Chengtong Financial Leasing Company Limited (誠通融資租賃有限公司) ("Chengtong Financial Leasing") in Mainland China with a registered capital of US$40 million. The approved business scope of Chengtong Financial Leasing includes financial leasing, leasing services, purchasing of leasing properties at home country and abroad. The business aims to satisfying finance needs arising from the following three areas: (i) CCHG (the ultimate controlling shareholder of the Group) and its subsidiaries, (ii) the fields of energy saving, emission reduction and energy performance contracting, and (iii) municipal engineering construction projects of local governments. Chengtong Financial Leasing commenced financial leasing business in the fourth quarter of 2010 and recorded revenue from financial leasing of approximately HK$2.2 million, contributing approximately HK$1.6 million to the profit before taxation of the Group in 2010.

Financial leasing is one of the four pillars of modern financial industry and is the second largest channel of corporate financing in the United State of America. Currently, financial leasing business in the PRC is relatively small in scale and has promising prospects. As China tightens its credit and the financing demand from the corporate sector remains robust, financial leasing business will enjoy a favorable external environment for growth. As an independent third-party leasing firm that is different from those affiliated to banks and those affiliated to equipment manufacturers, Chengtong Financial Leasing aims to develop a prime customer base including large state-owned enterprises and well-known private enterprises and cooperate with commercial banks and relevant non-banking financial institutions to provide tailor-made leasing services to enterprises.

III. OUTLOOK

As the global economy becomes further stabilized after the financial crisis and the change of consumption pattern and upgrade of industrial structure in China unfold, the PRC economy will continue to witness rapid growth in 2011. In the meanwhile, the financial policy and environment in the PRC will be on the tightening side in order to fight inflation, which, coupled with high labour and building material costs and more stringent macro-control policies, will pose pressure on certain activities of the Group. However, the implementation of the state's 12th Five-Year Plan and the shortage of land resources in the central and eastern region of China will present new development opportunities for the principal activities of the Group. In addition, given the Group's ample capital and low gearing ratio, the tightening financial environment will not impact the development of the Group's businesses.

In 2011, the Group will focus its efforts on development of industrial and logistic land resources and explore the possible implementation of injection of further quality assets and related businesses of CCHG. In the meanwhile, the Group will continue to carry out financial leasing, coal trading and property development businesses in a stable manner, with a view to further shift its resources to businesses where it possesses an advantage to increase return on assets. Looking forward, the Board has much confidence in the development of the Group in 2011 and beyond.

GEARING RATIO

As at 31 December 2010, the Group's gearing ratio calculated on the basis of amount due to a non-controlling shareholder of a subsidiary, loans from a non-controlling shareholder of subsidiaries, bank loan and other loans of approximately HK$47.80 million and total assets of approximately HK$1,714.69 million was 3% (31 December 2009: 4%).

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy during the year under review. As at 31 December 2010, the Group had cash and bank balances amounting to approximately HK$720.82 million (31 December 2009: approximately HK$621.85 million), and current assets and current liabilities of approximately HK$1,479.66 million and HK$132.35 million respectively (31 December 2009: approximately HK$1,341.19 million and HK$159.68 million respectively). Out of the cash and bank balances of approximately HK$720.82 million at 31 December 2010, a sum of HK$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

As at 31 December 2010, the Group's bank borrowings amounted to approximately HK$47.2 million which was secured and repayable within one year with interest at commercial rate. The other loan from a third party of approximately HK$600,000 was unsecured, repayable on demand and interest-free. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2010, the Group employed a total of 78 employees, of which 11 were based in Hong Kong and 67 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the Directors are decided by the remuneration committee of the Company ("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

As at 31 December 2010, the bank loan was secured by the land use right of a property held for development amounting to approximately HK$105 million (31 December 2009: approximately HK$101 million).

COMMITMENT

In October 2008, the Group has entered into a sale and purchase agreement to acquire 100% interest in 連雲港中儲物流有限公司 at a consideration of approximately RMB181,000,000 (subject to adjustment) from 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.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK0.7 cents per share (the "Final Dividend") for the year ended 31 December 2010, amounting to approximately HK$29,214,040. The payment of the Final Dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The Company will announce the record date for the Final Dividend, the book closure dates for determining the entitlement for the Final Dividend and the proposed payment date of the Final Dividend in due course in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies Ordinance of Hong Kong.

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 (the "Model Code"). Having made specific enquiry of all the Directors, they confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2010, 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, please refer to the annual report of the Company for the year ended 31 December 2010.

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to the healthy and sustainable development of the Group. The Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010, save as disclosed below:

Code provision E.1.2 of the Code

Under the code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting of the Company. Due to other business commitment, Mr. Zhang Guotong, the chairman of the Board was unable to attend the annual general meeting of the Company held on 9 June 2010, and Mr. Wang Hongxin, the managing Director of the Company, presided as the chairman at the annual general meeting.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, including Mr. Kwong Che Keung, Gordon as chairman, Mr. Tsui Yiu Wa, Alec, 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 2010 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 has established the Remuneration Committee. The Remuneration Committee comprises two independent non-executive Directors, Mr. Tsui Yiu Wa, Alec as chairman and Mr. Kwong Che Keung, Gordon and the chairman of the Board, Mr. Zhang Guotong, who is an executive Director. 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 (the "Nomination Committee") and was chaired by the chairman of the Board, Mr. Zhang Guotong, an executive Director. Other members of the Nomination Committee include two independent non-executive Directors, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec. The Nomination Committee is responsible for nominating potential candidates for directorship appointment and succession planning of the Board, reviewing the composition and structure of the Board regularly 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 ON THIS PRELIMINARY ANNOUNCEMENT

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 2010 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 ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at http://www.irasia.com/listco/hk/chengtong. The annual report of the Company for the year ended 31 December 2010 will be available on both websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 8 March 2011

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 and Mr. Ba Shusong.