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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board (the "**Board**") of directors (the "**Directors**") of China Chengtong Development Group Limited (the "**Company**") would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2011 together with the comparative figures for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTES	**30.6.2011** ***HK$'000*** **(unaudited)**	31.12.2010 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**8,560**	8,047
Investment properties		**228,000**	222,784
Restricted bank balance		**4,200**	4,200
Receivables under finance lease arrangement		**17,569**	—
		258,329	235,031
Current assets			
Properties held for sale		**42,557**	—
Properties held for development		**296,196**	291,259
Properties under development		**337,033**	318,030
Trade and other receivables	9	**33,560**	67,378
Receivables under finance lease arrangement		**16,186**	60,154
Amount due from a non-controlling shareholder of a subsidiary		**18,262**	17,958
Tax recoverable		**1,223**	—
Held-for-trading securities		**2,738**	8,266
Short-term investments	10	**172,800**	—
Bank balances and cash		**1,301,129**	716,617
		2,221,684	1,479,662

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

AT 30 JUNE 2011

	NOTES	**30.6.2011** ***HK$'000*** **(unaudited)**	31.12.2010 *HK$'000* (audited)
Current liabilities			
Trade and other payables	11	**56,234**	35,525
Deposits received on sale of properties		**78,004**	39,396
Amounts due to related companies		**403**	508
Amount due to ultimate holding company		**—**	461
Tax payable		**—**	8,663
Secured bank loans		**60,000**	47,200
Unsecured other loans		**600**	600
		195,241	132,353
Net current assets		**2,026,443**	1,347,309
Total assets less current liabilities		**2,284,772**	1,582,340
Non-current liabilities			
Deferred tax liabilities		**2,445**	1,907
Corporate bonds	12	**707,990**	—
		710,435	1,907
Net assets		**1,574,337**	1,580,433
Capital and reserves			
Share capital		**417,344**	417,344
Share premium and reserves		**995,814**	1,005,042
Equity attributable to owners of the Company		**1,413,158**	1,422,386
Non-controlling interests		**161,179**	158,047
Total equity		**1,574,337**	1,580,433

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2012.

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Other than disclosed above, the directors of the Company anticipate that the application of these new and revised standards and amendments will have no material impact on the results and financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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

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

(4) Trading of Coal — trading of coal in the PRC.

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

For the six months ended 30 June 2011

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

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the six months ended 30 June 2011 *(continued)*

Notes:

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

For the six months ended 30 June 2010

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

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the six months ended 30 June 2010 *(continued)*

Notes:

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

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

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment assets

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

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

4. OTHER INCOME

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

5. TAXATION CHARGE

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

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

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

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

6. (LOSS) PROFIT FOR THE PERIOD

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

7. DIVIDEND

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

8. (LOSS) EARNINGS PER SHARE

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

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

9. TRADE AND OTHER RECEIVABLES

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

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Within 1 month	**16,120**	—
Two to three months	**10,463**	37,076
	26,583	37,076

10. SHORT-TERM INVESTMENTS

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

11. TRADE AND OTHER PAYABLES

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

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Within one month	**31,331**	375
Two to three months	**317**	1,040
Three months to one year	**1,215**	21
	32,863	1,436

12. CORPORATE BONDS

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

	30.6.2011	31.12.2010
	HK$'000	*HK$'000*
Corporate bonds	**707,990**	—

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

12. CORPORATE BONDS *(continued)*

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

13. COMMITMENT

In October 2008, the Group entered into a sale and purchase agreement to acquire 100% interest in 連雲港中儲物流有限公司 at a consideration of approximately RMB181,000,000 (subject to adjustment) from China Chengtong Hong Kong Company Limited ("**CCHK**"), the intermediate holding company of the Company. The transaction has not yet completed up to the date of this announcement. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008 and announcements dated 30 October 2008, 28 April 2009, 30 October 2009, 30 April 2010 and 29 October 2010.

14. EVENT AFTER THE END OF THE INTERIM PERIOD

The Company entered into an agreement dated 27 July 2011 and a supplemental agreement dated 29 August 2011 with its ultimate holding company, China Chengtong Holdings Group Limited ("**CCHG**") and its intermediate holding company, CCHK, for the acquisition of interests in several subsidiaries of CCHG at a consideration of RMB254,000,000 (subject to adjustment). These subsidiaries are mainly engaged in provision of hotel and beverages services, provision of marine entertainment services and sales of gold and silver products and jewelleries in Hainan Province, the PRC. The proposed acquisition is subject to the approval of shareholders of the Company and has not yet been completed up to the date of this announcement. Details of the proposed acquisition are set out in the Company's announcements dated 27 July 2011 and 29 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

I. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: nil).

II. FINANCIAL RESULTS

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

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

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

III. BUSINESS REVIEW

1. *Property Development*

(I) Zhucheng of Shandong Province

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

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

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

(II) Dafeng of Jiangsu Province

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

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

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

2. *Property Investment - Land Resources Development*

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

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

3. *Trading of Coal*

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

4. *Financial Leasing*

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

IV. OUTLOOK

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

GEARING RATIO

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

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy during the period under review. As at 30 June 2011, the Group had cash and bank balances amounting to approximately HK$1,305.33 million (31 December 2010: approximately HK$720.82 million), and current assets and current liabilities of approximately HK$2,221.68 million and HK$195.24 million respectively (31 December 2010: approximately HK$1,479.66 million and HK$132.35 million respectively). Out of the cash and bank balances of approximately HK$1,305.33 million at 30 June 2011, a sum of HK$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

As at 30 June 2011, the Group's corporate bonds amounted to approximately HK$707.99 million were issued on 19 May 2011 and will mature on 19 May 2014. The Group's bank borrowings amounted to HK$60 million which was secured and repayable within one year with interest at commercial rate. The other loan from a third party of approximately HK$600,000 was unsecured, repayable on demand and interest-free. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

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

FOREIGN EXCHANGE RISK MANAGEMENT

The business activities and operation of the Group are mainly in Hong Kong and Mainland China. The revenue of the Group are mainly denominated in Renminbi ("**RMB**"). The bonds issued during the period under review were also denominated in RMB. The Group considers that the appreciation in RMB does not impose a significant foreign exchange risk to the Group.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2011, the Group employed a total of 83 employees, of which 10 were based in Hong Kong and 73 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's corporate goals, their individual performance and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to Directors and eligible employees to subscribe the shares of the Company.

PLEDGE OF ASSET

As at 30 June 2011, the bank loans of HK$60 million were secured by the land use rights included in property held for development which amounting to HK$106.80 million (31 December 2010: HK$105.02 million).

COMMITMENT

In October 2008, the Group has entered into a sale and purchase agreement to acquire 100% interest in 連雲港中儲物流有限公司 at a consideration of approximately RMB181,000,000 (subject to adjustment) from CCHK, the intermediate holding company of the Company. The transaction has not yet completed up to the date of this announcement. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008 and announcements dated 30 October 2008, 28 April 2009, 30 October 2009, 30 April 2010 and 29 October 2010.

EVENT AFTER THE END OF THE INTERIM PERIOD

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "**Model Code**"). Having made specific enquiry to each of the directors of the Company, the Company has received confirmations from all directors of the Company that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2011.

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

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to the healthy and sustainable development of the Group. The Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011, save as disclosed below:

Code provision E.1.2 of the Code

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

REVIEW OF ACCOUNTS

The Board is of the view that disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The audit committee of the Company has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011 in conjunction with auditor of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 2011 interim report of the Company will be available on both websites and dispatched to shareholders of the Company in due course.

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

Hong Kong, 29 August 2011

As at the date of this announcement, the executive Directors are Mr. Zhang Guotong, Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Wang Tianlin; and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Ba Shusong.