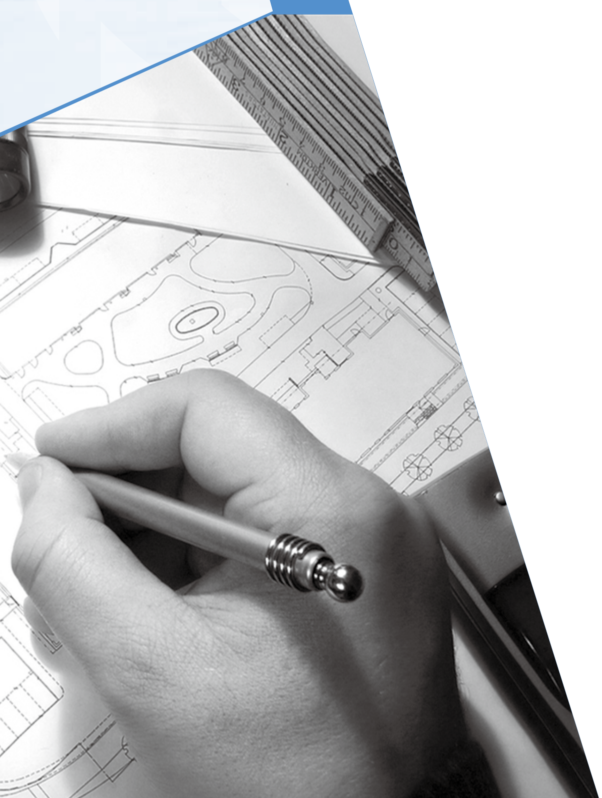
China Chengtong Development Group Limited

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

Property Development | Property Investment | Financial Leasing | Coal Trade

CCT Integrity-based philosophy
Global business horizon

2010
Annual Report



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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Zhang Guotong *(Chairman)*
Yuan Shaoli *(Vice Chairman) (appointed on 9 March 2011)*
Wang Hongxin *(Managing Director)*
Wang Tianlin *(Deputy General Manager)*

Non-executive Directors
Gu Laiyun
Xu Zhen

Independent non-executive Directors
Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Ba Shusong
Lao Youan (retired on 9 June 2010)

AUDIT COMMITTEE

Kwong Che Keung, Gordon *(Chairman)*
Tsui Yiu Wa, Alec
Ba Shusong
Xu Zhen
Lao Youan (retired on 9 June 2010)

REMUNERATION COMMITTEE

Tsui Yiu Wa, Alec *(Chairman)*
Kwong Che Keung, Gordon
Zhang Guotong
Lao Youan (retired on 9 June 2010)

NOMINATION COMMITTEE

Zhang Guotong *(Chairman)*
Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Lao Youan (retired on 9 June 2010)

COMPANY SECRETARY

Hui Lap Tak

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK CODE

217

I am pleased to present to all shareholders ("Shareholders") of China Chengtong Development Group Limited ("Company") the annual report for the year ended 31 December 2010 of the Company together with its subsidiaries ("Group").

Profit attributable to the Shareholders for the year ended 31 December 2010 amounted to approximately HK$87.89 million, representing an increase of around 42% from HK$61.98 million compared to the previous year.

The Group is principally engaged in property investment in industrial and logistic land resources development, property development, financial leasing and coal trading businesses.

During the year under review, the Group has implemented the its expected profit model in respect of the property investment in industrial and logistic land resources development. The Group realised a gain of approximately RMB28.13 million through disposal of 100% equity in Luoyang Southern City CMST Logistic Limited (洛陽城南中儲物流有限公司) ("Luoyang Logistic") and its shareholder's loan at a consideration of approximately RMB61.85 million. The principal asset of Luoyang Logistic is a parcel of industrial land with a site area of approximately 74,452 square metres located in Luoyang, Henan Province, the People's Republic of China ("China" or "PRC"). Since acquiring the industrial land from China Chengtong Holdings Group Limited ("CCHG"), the ultimate controlling shareholder of the Company in June 2007, the Group, while adhering to the strategy of holding and operating the assets at a low cost, and proactively procured the change of the planned use of the land. After this parcel of land and its locality have been zoned into commercial development area, its potential value was improved significantly. Then, the Group took the opportunity to successfully realise it. This case brought successful experience to the Group in terms of the profit model of its industrial and logistic land resources development business, which could also be duplicated to those industrial and warehousing lands held by the Group's in Changzhou, Shenyang and Guilin in the future.

On property development, the Group's projects, "CCT-Champs-Elysees" located in Zhucheng of Shandong Province, PRC and "Chengtong International City" located in Dafeng of Jiangsu Province, PRC, progressed as scheduled and have witnessed satisfactory sales.

On strategic investment, the Group established Chengtong Financial Leasing Company Limited (誠通融資租賃有限公司) ("Chengtong Financial Leasing") in the second half of the year. The business of Chengtong Financial Leasing aims to serve financing needs arising from the Group, CCHG and its subsidiaries, energy performance contracting and municipal engineering construction projects of local governments. With emphasis on the promising sectors such as energy saving, emission reduction and energy performance contracting, Chengtong Financial Leasing's aspires to establish competitive edges in the rapidly growing financial leasing market in China. During the year under review, the Group also, together with its partner, acquired Dafeng Ruineng Fuel Company Limited (大豐瑞能燃料有限公司) ("Dafeng Ruineng"). The Group aims to make use of the advantages in cost and geological location of Dafeng port, Jiangsu as well as the Group's industrial land in the zone of Dafeng port, in order to explore the complete industrial chain marketing model for imported coal.

The Group well understands the importance of high-standard corporate governance. During the year, the Group made improvements to the authorization to and supervision of the executive committee ("Executive Committee") of the board of directors ("Directors") ("Board") of the Company and further enhanced the management and control systems for each business operation, thus consolidating the Company's ability in risk prevention. The Group believes that good corporate governance is conducive to the protection of common interests of all Shareholders and the sound development of each business operation. In 2011, the Group will continue to improve its internal control system and further uplift its corporate governance.

Looking ahead, the Group will keep a close eye on any changes in external environment and actively realign its development strategy. Seizing the opportunity brought about by economic structural adjustment and industrial transformation and upgrade implemented by the country, in particular the strategic opportunity arising from the regional economic development depicted in the country's 12th Five-Year Plan, the Group will optimize its resources allocation among different regions and different business segments with a view to achieve rapid growth of its principal businesses. In 2011, the Group will step up its efforts in the development of industrial and logistic land resources and adopt a prudent strategy in property development. In addition, the Group will seek a rapid growth in its financial leasing and coal trading businesses in line with changes in domestic financial policies and needs of the country's energy strategy. Moreover, the Group will, through leveraging on special status and advantages of CCHG (as an enterprise controlled by the central government) in the national economic restructuring program, continue to explore the possible injection of further quality business and resources.

Finally, I would like to express my sincere gratitude to all Shareholders, business partners and the community for their support, trust and care to the Group. I would also like to thank our management and employees for their dedicated efforts and contribution throughout the year.

Zhang Guotong
Chairman

Hong Kong, 8 March 2011

I. FINANCIAL RESULTS

For the year ended 31 December 2010, the Group recorded profit attributable to the Shareholders 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 property investment in industrial and logistic land resources 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 property investment in industrial and logistic land resources 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. 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 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 PRC, 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 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 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$2.19 million, contributing approximately HK$1.57 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 States of America (the "United States"). 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 stabilised 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$4.20 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$47.20 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 China Chengtong Hong Kong Company Limited ("CCHK"). The transaction has not yet completed up to the date of this report. Details of the acquisition are set out in the Company's circular to the Shareholders dated 29 November 2008.

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.

DIRECTORS

Mr. Zhang Guotong

Aged 47, is an executive Director and the Chairman of the Board. Mr. Zhang joined the Group in February 2003. Mr. Zhang graduated from Sun Yat-sen University in 1985 and holds a bachelor degree in economics. He had served as deputy division chief and division chief with the authority under the central government of China. After 1995, he served as general manager of China National Materials Development & Investment Corporation, president of China Logistics Company, director of CCHG and deputy chairman of Create Technology & Science Company Limited whose shares are listed on the Shenzhen Stock Exchange. Mr. Zhang has extensive experience in business policy research and business administration. Mr. Zhang is also the director of several subsidiaries of the Company and a director of CCHK.

Mr. Yuan Shaoli

Aged 56, is an executive Director and the vice Chairman of the Board. Mr. Yuan joined the Group on 9 March 2011. Mr. Yuan had served as the deputy division chief, the division chief and a director of the Central State Organizations of China for several years. He had also served as the deputy general manager of China Huandao (Group) Company. Mr. Yuan is presently the vice president of CCHG, and the general manager of China Huandao (Group) Company, a subsidiary of CCHG. Mr. Yuan has extensive experience in business management, assets management, public relations and human resources management.

Mr. Wang Hongxin

Aged 47, is an executive Director and the Managing Director of the Company. Mr. Wang joined the Group in March 2005. Mr. Wang holds a master degree in business administration from the Guanghua Management School of Peking University, and a bachelor degree of arts of Jilin Normal University. Mr Wang has rich experiences in corporate management. He had served as a director and a deputy general manager for Maoming Yongye (Group) Co. Ltd., whose shares are listed on the Shenzhen Stock Exchange and previously worked for China National Materials Development & Investment Corporation as assistant to general manager. Mr. Wang is also the director of several subsidiaries of the Company.

Mr. Wang Tianlin

Aged 38, is an executive Director and a Deputy General Manager of the Company, the general manager of the Company's major subsidiaries, namely Chengtong Financial Leasing and Chengtong Industrial, and the director of several subsidiaries of the Company. Mr. Wang joined the Group in February 2007. Mr. Wang obtained his bachelor and master degrees from Beijing Institute of Technology and in 2003 he obtained his master of business administration in finance from The Chinese University of Hong Kong. Mr. Wang has extensive experience in corporate governance, capital management and business administration. Mr. Wang was previously the secretary to the board of Sihuan Pharmaceutical Company Limited whose shares are listed on the Shenzhen Stock Exchange and also was the assistant to president for CCHK.

Ms. Xu Zhen

Aged 46, is a non-executive Director. Ms. Xu joined the Group in March 2005. Ms. Xu graduated from Dongbei University of Finance and Economics in the PRC with a bachelor degree in economics and a master degree in accounting studies. Ms. Xu previously worked for China National Materials Development & Investment Corporation as deputy general manager and she was a director of Create Technology & Science Company Limited whose shares are listed on the Shenzhen Stock Exchange. Ms. Xu is currently the chief accountant of CCHG and a director of CCHK.

Mr. Gu Laiyun

Aged 47, is a non-executive Director. Mr. Gu joined the Group in February 2003. Mr. Gu graduated from Dongbei University of Finance and Economics in 1985 and holds both a bachelor degree in economics and master degree of economics from Jilin University. Mr. Gu has extensive experience in corporate management. He once served as the assistant to president of CCHG. Currently, He is president of Zhongshang Corporate Group Company (中商企業集團公司), a subsidiary of CCHG, a director of CCHK and a director of World Gain Holdings Limited ("World Gain").

Mr. Tsui Yiu Wa, Alec

Aged 61, is an independent non-executive Director. Mr. Tsui joined the Group in March 2003. He is the chairman of WAG Worldsec Corporate Finance Limited. Mr. Tsui was the chairman of the Hong Kong Securities Institute from 2001 to 2004, and the Chief Operating Officer of Hong Kong Exchanges and Clearing Limited in 2000. He is an independent non-executive director of a number of listed companies in Hong Kong and Nasdaq, including China Power International Development Limited, COSCO International Holdings Limited, China BlueChemical Limited, Melco Crown Entertainment Limited, Pacific Online Limited, ATA Inc. and China Oilfield Services Limited. He is also the chairman of Hong Kong Professional Consultants Association Limited. He is an independent director of Industrial and Commercial Bank of China (Aisa) Limited and also an independent non-executive director of Fortis Insurance Company (Asia) Limited and Fortis Asia Holding Limited. Mr. Tsui graduated from the University of Tennessee, United States with a bachelor of science degree and a master of engineering degree in industrial engineering. He completed a program for senior managers in government at the John F.Kennedy School of Government of Harvard University. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management.

Mr. Kwong Che Keung, Gordon

Aged 61, is an independent non-executive Director. Mr. Kwong joined the Group in March 2003. He is currently served as independent non-executive director of a number of companies listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), namely COSCO International Holdings Limited, Beijing Capital International Airport Company Limited, NWS Holdings Limited, OP Financial Investments Limited, Global Digital Creations Holdings Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC Telecom International Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992-1997. He has a bachelor of social science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants. He was also an independent non-executive director of Fraser Property (China) Limited until 14 January 2011.

Mr. Ba Shusong

Aged 41, is an independent non-executive Director. Mr. Ba joined the Group in April 2007. Mr. Ba obtained his bachelor and master degrees in 1991 and 1994 from the Huazhong University of Science and Technology and in 1999, he obtained his doctorate degree from the Central University of Finance and Economics. From 2000 to 2002, he conducted his post doctoral research in Peking University Centre of China Economic Research, his major research areas are Risk Management of Financial Institutes, Corporate Governance and Regulatory Framework of Financial Market. Mr. Ba is the vice director of the Finance Research Institute, Development Research Centre of the State Council of the PRC and also the Chief Economist of China Banking Association, a panel member of the Funds Committee of the China Securities Regulatory Commission, an examination panel member of the China Banking Regulatory Commission, an expert of evaluating Corporate Annuity Funds and a member of professional committee of the China Development Bank. He is currently an independent director of Guoyuan Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange), an independent non-executive director of Industrial Bank Co., Ltd. and Shanghai Great Wisdom Co., Ltd. (both companies are listed on Shanghai Stock Exchange), and an independent director of Guosen Securities Co., Ltd. and Dalian Wangda Commercial Properties Co., Ltd.. In addition, he serves in a number of government committees and certain non-government organizations committees.

SENIOR MANAGEMENT

Mr. Zhang Bin

Aged 42, is the deputy general manager of the Company. Mr. Zhang joined the Group in July 2010. Mr. Zhang graduated from Beijing University and held a doctorate degree. He also undertook post-doctoral research in Rutgers, The State University of New Jersey and North Carolina State University in the United States. Mr. Zhang has been engaged in the field of management for many years and is currently taking an executive master of business administration degree course in China Europe International Business School. He has rich theoretical and practical experience in corporate management and risk control. Mr. Zhang has been the deputy general manager of CCHK since 2007.

Ms. Chan Yuet Kwai

Aged 47, is the financial controller of the Company and the director of several subsidiaries of the Company. Ms. Chan is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, a member of American Institute of Certified Public Accountants and a certified public accountant of Washington States in the United States. She also holds a master degree in business administration. Ms. Chan has over 20 years experience in the fields of auditing, accounting and finance. Before joining the Group, she had served as financial controller of Hong Kong listed companies for over 13 years. Ms. Chan joined the Group in June 2006.

COMPANY SECRETARY

Mr. Hui Lap Tak

Mr. Hui has been appointed as the company secretary of the Company since 7 January 2011. Mr. Hui is a practising solicitor in Hong Kong. Mr. Hui obtained the Bachelor of Laws from the University of Hong Kong and was admitted as a solicitor of the High Court of Hong Kong. Mr. Hui has experience in corporate finance and compliances matters for listed companies in Hong Kong. Mr. Hui is presently an associate member of the Institute of Chartered Secretaries and Administrators, an associate member of the Hong Kong Institute of Chartered Secretaries and an ordinary member of the Hong Kong Securities Institute.

The Board is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2010.

The Group considers that good corporate governance is vital to the healthy and sustainable development of the Group. To ensure a high standard of corporate governance, the Group strives to uphold high standard of corporate governance continuously, strictly complies with the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and actively applies the principles of the Code.

The Code sets out the principles of good corporate governance and there are two levels of recommendations:

(a) Code Provisions are the provisions in which a listed issuer is expected to comply with, but may choose to deviate from. A listed issuer must carefully review each Code Provisions and, where a listed issuer deviates from any of the Code Provisions, it must give considered reasons; and

(b) recommended best practices are the provisions which are provided for guidance only, and the listed issuers are encouraged, but are not required, to state whether they have complied with them and give considered reasons for any deviation.

The Company has complied with all the Code Provisions throughout the accounting period for the year ended 31 December 2010 except for the following deviation:

Under the Code Provision E.1.2, 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 9 June 2010, and Mr. Wang Hongxin, the Managing Director of the Company, presided as the chairman at the annual general meeting.

The Company periodically reviews its corporate governance practices to ensure those continue to meet the requirements of the Code, and acknowledges the important role of the Board in providing effective leadership and direction to the Company's business, and ensuring operational transparency and accountability.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies, plans, and oversees their implementation to sustain the healthy growth of the Company, in the interests of the Shareholders.

The Board is responsible for all major matters of the Group, and the approval and monitoring of all material changes in policies, including risk management strategies, dividend policy, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensure the Board's procedures and all applicable rules and regulations are followed. In general, each director can seek independent professional advices in appropriate circumstances at the Company's expenses, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director, executive Directors and senior management. The delegated functions are periodically reviewed. Approval from the Board has to be obtained prior to entering into any significant transactions.

Composition

The composition of the Board encompasses the necessary balance of skills and experiences desirable for effective leadership of the Group and reflects the independence in decision making of the Board.

As at date of this report, the Board comprised eight members, consisting of three executive Directors, two non-executive Directors and three independent non-executive Directors.

As at date of this report, the Board comprised the following Directors:

Executive Directors

ZHANG Guotong	*(Chairman, Chairman of nomination committee of the Company ("Nomination Committee") and member of Remuneration Committee)*
WANG Hongxin	*(Managing Director)*
WANG Tianlin	*(Deputy General Manager)*

Non-executive Directors

XU Zhen	*(member of audit committee of the Company ("Audit Committee"))*
GU Laiyun	

Independent non-executive Directors

KWONG Che Keung, Gordon	*(Chairman of Audit Committee, member of Remuneration Committee and member of Nomination Committee)*
TSUI Yiu Wa, Alec	*(Chairman of Remuneration Committee, member of Audit Committee and member of Nomination Committee)*
BA Shusong	*(member of Audit Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

During the year ended 31 December 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise and relevant experience to the Board and provide independent opinions for decision-making of the Board. Through active participation in Board meetings, taking the lead in issues involving potential conflicts of interest and serving on committees of the Board, all independent non-executive Directors make positive contributions to the orderly management and effective operation of the Company.

Appointment and Succession Planning of Directors

The Company has established a Nomination Committee and formal, considered and transparent procedures for the appointment and succession planning of Directors.

In accordance with the Company's articles of association ("Articles of Association"), one third of the Directors are subject to retirement by rotation every year and any new Director appointed to fill a causal vacancy or as an addition to the Board shall be eligible for re-election at the first general meeting after appointment.

The Board and Nomination Committee as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the candidates proposed by the Nomination Committee, the Company's needs and other relevant statutory requirements and regulations. The Board will consider engaging an external recruitment agency to carry out the recruitment and selection process when necessary.

The Board recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

All non-executive Directors were appointed for one year up to the date of the next annual general meeting.

Detailed information of the Directors standing for re-election are set out in the circular in relation to the forthcoming annual general meeting to be despatched to the Shareholders.

Board Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for monitoring and approving the Group's financial and operating performance, discussing annual and interim results and considering and approving the overall strategies of the Company.

During the year ended 31 December 2010, four Board meetings were held.

The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2010 is set out below:

	Number of Attendance/ Number of Meetings		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
ZHANG Guotong	4/4	Not applicable	1/1
WANG Hongxin	4/4	Not applicable	Not applicable
WANG Tianlin	4/4	Not applicable	Not applicable
XU Zhen	2/4	2/2	Not applicable
GU Laiyun	4/4	Not applicable	Not applicable
KWONG Che Keung, Gordon	4/4	2/2	1/1
TSUI Yiu Wa, Alec	4/4	2/2	1/1
LAO Youan*	2/4	1/2	1/1
BA Shusong	3/4	2/2	Not applicable

* Mr. Lao Youan retired from his office as an independent non-executive Director and ceased to be a member of the relevant committees on 9 June 2010.

Practices and Conduct of Meetings

Annual meeting schedules and agenda of each meeting are normally made available to Directors in advance. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The company secretary assists the Chairman to prepare the agenda for the Board meetings and ensures that all applicable rules and regulations are followed in each meeting. Draft agenda is sent to all Directors in advance to allow Directors to include any matter they would like to discuss in the agenda. Draft minutes are circulated to all Directors for review and amendment as soon as practicable. All Board members will be given a copy of the finalised minutes approved by Directors who attended the meeting.

Should a Director be involved in any conflict of interest in proposed transactions, the Director concerned will not participate in the discussion and will abstain from voting on related resolutions. Directors without involving in any conflict of interest will be present at meetings to vote and resolve on such issues.

Chairman and Managing Director

The positions of Chairman of the Board and Managing Director of the Company are held by Mr. Zhang Guotong and Mr. Wang Hongxin respectively. Their respective responsibilities are clearly defined and set out in writing to ensure a balance of power and authority.

Zhang Guotong, the Chairman, provides leadership and is responsible for ensuring that relevant duties and responsibilities have been fully and appropriately executed by Directors in accordance with good corporate governance practice. With support of the senior management, the Chairman is also responsible for ensuring that each of the Directors can receive adequate, complete and reliable information timely and appropriate briefing on issues arising at Board meetings.

Wang Hongxin, the Managing Director, is responsible for leading the management to implement policies, strategies as well as all goals and plans adopted and approved by the Board, and is in charge of the Company's day-to-day operations.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee, each overseeing and being responsible for affairs in different aspect of the Company. All Board committees of the Company are established with defined written terms of reference.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

EXECUTIVE COMMITTEE

The Executive Committee comprises all executive Directors. The Executive Committee is responsible for the daily business operation and management of the Company, the execution of decisions and strategies of the Board within the scope of authorization granted by the Board. The Executive Committee regularly reports to the Board regarding the Group's business operation and seeks its advice and approval on matters involving material decision-making.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors and one non-executive Director, namely, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, Mr. Ba Shusong and Ms. Xu Zhen. Mr. Kwong Che Keung, Gordon is the chairman of Audit Committee and an independent non-executive Director who possesses the appropriate professional accounting qualifications and financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, its fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee has held two meetings during the year ended 31 December 2010 to review the financial results and reports, capital management system, internal control system and the re-appointment of the external auditor.

During the year under review, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There was no disagreement between the Audit Committee and Directors in respect of matters about selection, appointment,resignation or dismissal of an external auditor.

During the year under review, the Company's interim results for the six months ended 30 June 2010 and annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two independent non-executive Directors and the Chairman of the Board, namely, Mr. Tsui Yiu Wa, Alec (Chairman of the Remuneration Committee), Mr. Kwong Che Keung, Gordon and Mr. Zhang Guotong. The primary objectives of the Remuneration Committee include making recommendations on and granting approval on the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. The remuneration of Directors and the senior management will be determined by reference to the performance of the individual, the Company and its peers as well as market conditions.

The Remuneration Committee 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. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Managing Director about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee held a meeting during the year ended 31 December 2010 and reviewed the remuneration policy and structure of the Company and remuneration packages of the Directors and the senior management.

NOMINATION COMMITTEE

The Company has established a Nomination Committee and was chaired by Mr. Zhang Guotong, the Chairman of the Board, other members of the Nomination Committee include the other two independent non-executive Directors, namely, 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, regular review on the composition and structure of the Board and making recommendations to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board. Nomination of candidates for directorship will be made with reference to the possession of appropriate skills, industry experience, professional knowledge, personal integrity and time for participating in the Company's affairs. For the year ended 31 December 2010, the Company has not appointed any new Director, and therefore, no meeting of the Nomination Committee has been held.

MODEL CODE FOR SECURITIES TRANSACTIONS

In the year ended 31 December 2010, the Company has adopted its own code of conduct regarding Directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2010.

The Company also has set written guidelines on terms no less exacting than the Model Code for securities transactions by the 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 the employees was noted by the Board during the year.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 25.

The remuneration paid to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2010 amounted to approximately HK$850,000 and HK$465,000 respectively. An analysis of the remuneration paid to the external auditor of the Company is set out below:

	Amount of Fee Payable/Paid *(HK$'000)*
Audit services	850
Review on interim results	180
Other non-audit services *(note)*	285
Total	1,315

Note: mainly include approximately HK$160,000 professional fee in relation to the review of working capital sufficiency after the disposal of subsidiaries in a major transaction during the year.

INTERNAL CONTROLS

The Company has an organization structure with defined lines of responsibility and appropriate responsibility and authority were delegated to senior management. The Board is responsible for the establishment and effective operation of the internal control system. However, such system aims at limiting the risks of the Group to an acceptable level but not at eliminating all risks. Hence, such system can only provide reasonable assurance that there will not be any error in financial information and record, and there will not be any loss or fraud.

The Board has established effective and operational procedures to identify, assess and manage major risks faced by the Group. Such procedures will be updated from time to time to reflect the changes in circumstances and rules and regulations, and shall be used as a guideline for updating the internal control system in a timely manner. The Board considers that as at the date of this annual report, the internal control system is adequate and effective in safeguarding the assets of the Group and protecting the interests of Shareholders, customers and employees of the Group.

The management is responsible for implementing the procedures approved by the Board to identify, assess and manage major risks faced by the Group. Such procedures include the design, operation and supervision of suitable internal control to mitigate and control risks. Major procedures established for reviewing the suitability and compliance of the internal control system are as follows:

- The Board is responsible for the supervision of all business activities of the Group and the implementation of strategic plans and policy. The management is responsible for the effective daily operation of the Group and for ensuring that the Group operates in accordance with the target, strategy and budget of the Group.

- The Audit Committee periodically reviews the controlled items of risk management department, external auditor, regulatory bodies and management, and assesses the feasibility and effectiveness of risk management and the internal control system.

- The risk control department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions and subsidiaries to identify any irregularities and risks, develops action plans and makes recommendations to address the identified risks, and reports to the Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

In strict compliance with the requirements of Code Provision C.2.1, the Group has conducted a comprehensive review of the internal control system under the guidance of the Board and the senior management in 2010. The review assessed the prevailing internal control and risk management practices of the Group and covered various aspects including financial control, operational control, compliance control and risk management.

The Group will continue where possible to improve its internal control system and strengthen its risk management capability.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

Pursuant to the Listing Rules, all the resolutions of general meetings are conducted by way of poll.

Poll results will be posted on the website of the Stock Exchange and the Company on the day of the general meeting.

The general meetings of the Company provide a forum for communication between the Shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the general meetings.

Under the Code Provision E.1.2 of Appendix 14 to the Listing Rules, 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 9 June 2010, and Mr. Wang Hongxin, the Managing Director of the Company, presided as the chairman at the annual general meeting.

The Company will continue to enhance communications and relationships with its Shareholders and investors to keep them abreast of the Company's developments. Enquiries from investors are dealt with timely.

Currently, investors can access the Company's information through the website of the Stock Exchange and http://www.irasia.com/listco/hk/chengtong.

Directors' Report

The Directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 27.

The Board recommends the payment of a final cash dividend of HK0.7 cents per share, amounting to approximately HK$29,214,040. The payment of the final dividend is subject to the approval by the Shareholders 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 Listing Rules and the Companies Ordinance of Hong Kong.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of share capital of the Company are set out in note 39 to the consolidated financial statements.

During the year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

Details of the movements in the reserve of the Company during the year are set out in note 41 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the five largest customers represented 96.3% of the Group's total turnover. Sales to the largest customer accounted for 73.2%.

During the year, the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the five largest suppliers represented 67.6% of the Group's total purchases. Purchases from the largest supplier accounted for 39.5% of the Group's total purchases.

None of the Directors or any of their associates (as defined in the Listing Rules) or any Shareholders, which to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers for the year ended 31 December 2010.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Mr. ZHANG Guotong	*(Executive Director and Chairman)*
Mr. WANG Hongxin	*(Executive Director and Managing Director)*
Mr. WANG Tianlin	*(Executive Director and Deputy General Manager)*
Mr. GU Laiyun	*(Non-executive Director)*
Ms. XU Zhen	*(Non-executive Director)*
Mr. KWONG Che Keung, Gordon	*(Independent non-executive Director)*
Mr. TSUI Yiu Wa, Alec	*(Independent non-executive Director)*
Mr. LAO Youan	*(Independent non-executive Director, retired on 9 June 2010)*
Mr. BA Shusong	*(Independent non-executive Director)*

Particulars of the Directors are set out on pages 10 to 12.

Detailed information of the Directors standing for re-election are set out in the circular in relation to the forthcoming annual general meeting to be despatched to the Shareholders.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the the Listing Rules and considers that each independent non-executive Director is independent of the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any service contract which is not determinable by the Company within one year without payment of compensation (other than general statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2010, Directors and chief executives of the Company who had any interests and short positions in the shares or underlying shares of the Company and any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to hold under such provisions of the SFO), or which are required, pursuant to Section 352 of SFO, to be entered in the register referred to therein, or are required, pursuant to the Model Code set out in the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Director	**Capacity**	**Number of shares held** *(Long position)*	**Percentage of the issued share capital of the Company**
ZHANG Guotong	Beneficial owner	365	0.000009%
GU Laiyun	Beneficial owner	3,867,707	0.093%
XU Zhen	Beneficial owner	725,196	0.017%

All the interests stated above represent long positions. As at 31 December 2010, no short position was recorded in the register kept by the Company under Section 352 of Part XV of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the year under review, neither the Company, nor any of its subsidiaries, was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN ISSUED SHARE CAPITAL AND UNDERLYING SHARES

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholders had notified the Company of relevant interests in the issued share capital and underlying shares of the Company.

Name of Shareholder	Capacity	Number of issued ordinary shares held		Percentage of the issued share capital of the Company
World Gain Holdings Limited ("World Gain")	Beneficial owner *(Note 2)*	2,286,343,570	(L)	54.78%
China Chengtong Hong Kong Company Limited ("CCHK")	Controlled corporation *(Note 2)*	2,286,343,570	(L)	54.78%
	Beneficial owner	705,539,557 *(Note 3)*	(L)	16.91%
China Chengtong Holdings Group Limited ("CCHG")	Controlled corporation *(Note 2)*	2,991,883,127	(L)	71.69%

Notes:

1. The letter "L" represents the entity's long position in the Shares of the Company.

2. The entire issued share capital of World Gain is beneficially owned by CCHK, the entire issued share capital of which is beneficially owned by CCHG. Both CCHK and CCHG are deemed to be interested in all the Shares held by World Gain by virtue of the SFO.

3. These Shares of the Company represent the consideration Shares which may be allotted and issued to CCHK, upon completion of the Second SP Agreement (as defined in the circular of the Company dated 29 November 2008, and assuming the consideration to be payable by the Company under the Second SP Agreement is adjusted to its maximum extent).

Save as disclosed above, as at 31 December 2010, no other person had any interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

On 8 June 2010, Chengtong Industrial, a wholly-owned subsidiary of the Company, entered into a lease agreement with 中國物流公司 (China Logistics Company) for a lease term of one year from 1 June 2010 to 31 May 2011. According to the lease agreement, Chengtong Industrial granted China Logistics Company the right to use, manage and conduct business over the Leased Assets, and China Logistics Company shall pay relevant land use tax and real estate tax. Since China Logistics Company is a wholly-owned subsidiary of CCHG which is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, this lease agreement constitutes a continuing connected transaction of the Company. Details of the lease are set out in the Company's announcement dated 8 June 2010.

On 16 September 2010, Chengtong Industrial entered into a lease agreement with 中國物資儲運總公司瀋陽虎石台一庫 (China National Materials Storage and Transportation Corporation — Shenyang Hushitai 1st Storage) ("CMST") for a lease term of one year from 1 September 2010 to 31 August 2011. According to the lease agreement, CT Industrial granted CMST the right to use, manage and conduct business over the leased assets, and CMST shall pay a monthly rental of RMB140,000 (equivalent to approximately HK$ 161,000). Since CMST is a wholly-owned subsidiary of CCHG which is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, this lease agreement constitutes a continuing connected transaction of the Company. Details of the lease are set out in the Company's announcement dated 16 September 2010.

All independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors also confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Based on work performed, Deloitte Touche Tohmatsu, our independent auditor, has confirmed in a letter to the Board to the effect that the above transactions:

(a) have been approved by the Board;

(b) are in accordance with the pricing policies of the Group (if the transactions involve provision of goods or services by the Group);

(c) have been entered into in accordance with the relevant agreements governing the transactions; and

(d) have not exceeded the relevant annual caps disclosed in previous announcements.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 24 June 2003, the Company has adopted a share option scheme, details of which are set out in note 40 to the consolidated financial statements. During the year, the Company did not grant any option, nor was there any options outstanding.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficiency public float throughout the year ended 31 December 2010.

FINANCIAL SUMMARY

A summary of the Group's results and its assets and liabilities for the year ended 31 December 2010 and the past four financial years is set out on page 88.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board

ZHANG GUOTONG
CHAIRMAN

Hong Kong, 8 March 2011

Deloitte.
德勤

TO THE MEMBERS OF CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Chengtong Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 85, which comprise the consolidated and Company's statements of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 March 2011

	NOTES	2010 HK$'000	2009 HK$'000
Turnover	7	**89,996**	5,536
Cost of sales		**(78,672)**	(14,033)
Gross profit (loss)		**11,324**	(8,497)
Other income	8	**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	17	**2,760**	(11,400)
Gain on change in fair value of held-for-trading securities		**2,099**	7,861
Gain on disposals of subsidiaries	45	**99,817**	4,308
Gain on disposals of associates		**—**	103,751
Net reversal of provisions for claims (net provisions for claims)	32	**18,076**	(19,162)
Finance costs	9	**(29)**	(1,611)
Share of result of an associate		**—**	6,102
Profit before taxation		**98,962**	55,500
Taxation (charge) credit	10	**(12,690)**	4,156
Profit for the year	11	**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	14		
— 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	11	**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	16	**8,047**	8,554
Investment properties	17	**222,784**	251,256
Restricted bank balance	21	**4,200**	4,200
		235,031	264,010
Current assets			
Properties held for sale	22	**—**	11,852
Properties held for development	23	**291,259**	411,865
Properties under development	24	**318,030**	203,077
Trade and other receivables	25	**67,378**	6,564
Receivable under finance lease arrangement	26	**60,154**	—
Claim recoverable	32	**—**	9,765
Amount due from a non-controlling shareholder of a subsidiary	27	**17,958**	23,978
Amount due from an intermediate holding company	27	**—**	1,742
Held-for-trading securities	28	**8,266**	14,443
Bank balances and cash	29	**716,617**	617,649
		1,479,662	1,300,935
Assets classified as held for sale	30	**—**	40,255
		1,479,662	1,341,190
Current liabilities			
Trade and other payables	31	**35,525**	37,454
Deposits received on sale of properties		**39,396**	7,245
Deposit received from disposal of assets held for sale	30	**—**	3,407
Provisions for claims	32	**—**	29,923
Amounts due to related companies	33	**508**	361
Amount due to ultimate holding company	34	**461**	—
Amount due to a non-controlling shareholder of a subsidiary	34	**—**	3,978
Taxation payable		**8,663**	3,319
Secured bank loans	35	**47,200**	45,600
Unsecured other loans	36	**600**	3,260
Loans from a non-controlling shareholder of subsidiaries	37	**—**	17,965
		132,353	152,512
Liabilities associated with assets classified as held for sale	30	**—**	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

	NOTES	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Deferred tax liabilities	38	**1,907**	718
Net assets		**1,580,433**	1,444,804
Capital and reserves			
Share capital	39	**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

The consolidated financial statements on pages 27 to 85 were approved and authorised for issue by the Board of Directors on 8 March 2011 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Statement of Financial Position

AT 31 DECEMBER 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	16	—	—
Interests in subsidiaries	19	564,127	1
		564,127	1
Current assets			
Other receivables, prepayments and deposits		1,563	1,567
Amounts due from subsidiaries	20	530,267	1,039,994
Amount due from an intermediate holding company	27	—	1,742
Bank balances and cash		404	112
		532,234	1,043,415
Current liabilities			
Other payables		9,636	7,212
Deposit received from disposal of assets held for sale	30	—	3,407
Amounts due to subsidiaries	20	—	59,591
		9,636	70,210
Net current assets		522,598	973,205
		1,086,725	973,206
Capital and reserves			
Share capital	39	417,344	417,344
Share premium and reserves	41	669,381	555,862
		1,086,725	973,206

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 (Note)	Exchange reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	267,891	213,965	402	2,814	37,347	21	141,119	663,559	129,616	793,175
Profit (loss) for the year	—	—	—	—	—	—	61,982	61,982	(2,326)	59,656
Exchange differences arising on translation	—	—	—	—	1,398	—	—	1,398	57	1,455
Total comprehensive income and expense for the year	—	—	—	—	1,398	—	61,982	63,380	(2,269)	61,111
Acquisition of subsidiaries	149,453	416,409	—	—	—	—	—	565,862	126,909	692,771
Release and transfer upon disposal of a subsidiary	—	—	—	—	(15,138)	—	15,138	—	—	—
Release and transfer upon disposal of an associate	—	—	—	—	(5,889)	—	5,889	—	—	—
Share options lapsed	—	—	—	—	—	(21)	21	—	—	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(121,861)	(121,861)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	19,608	19,608
At 31 December 2009	417,344	630,374	402	2,814	17,718	—	224,149	1,292,801	152,003	1,444,804
Profit (loss) for the year	—	—	—	—	—	—	87,890	87,890	(1,618)	86,272
Exchange differences arising on translation	—	—	—	—	42,377	—	—	42,377	4,756	47,133
Total comprehensive income for the year	—	—	—	—	42,377	—	87,890	130,267	3,138	133,405
Acquisition of a subsidiary *(note 44(a))*	—	—	—	—	—	—	—	—	2,853	2,853
Release and transfer upon disposals of subsidiaries *(note 45(a))*	—	—	—	—	(25,526)	—	25,526	—	(7,393)	(7,393)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	25,688	25,688
Acquisition of additional interests in subsidiaries *(note 43)*	—	—	—	—	—	—	—	—	(18,242)	(18,242)
Difference arising on acquisition of additional interests in subsidiaries *(note 43)*	—	—	—	—	—	—	(682)	(682)	—	(682)
At 31 December 2010	417,344	630,374	402	2,814	34,569	—	336,883	1,422,386	158,047	1,580,433

Note: Capital reserve represented the deemed contribution by a substantial shareholder of the Company in 2007 arising from acquisition of a former subsidiary, 洛陽城南中儲物流有限公司 ("洛陽城南"), from a subsidiary of then substantial shareholder of the Company. 洛陽城南 was disposed of in September 2010 (see note 45(a)).

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Profit before taxation		**98,962**	55,500
Adjustments for:			
Interest income		**(6,062)**	(780)
Interest expense		**29**	1,611
Gain on disposals of subsidiaries	45	**(99,817)**	(4,308)
Gain on disposals of associates		**—**	(103,751)
Share of result of an associate		**—**	(6,102)
Loss (gain) on disposal of property, plant and equipment		**4**	(59)
Write-off of other receivable		**393**	—
Depreciation of property, plant and equipment		**1,511**	1,258
(Gain) loss on change in fair value of investment properties		**(2,760)**	11,400
Loss (gain) on change in fair value of held-for-trading securities		**297**	(2,119)
(Net reversal of provisions for claims) net provisions for claims		**(18,076)**	19,162
Reversal of impairment loss on interests in associates		**—**	(125)
Reversal of allowance for amount due from an associate		**—**	(1,086)
Reversal of allowance on trade and other receivables		**(115)**	(284)
Impairment loss on properties held for sale		**—**	7,789
Impairment of goodwill		**209**	—
Operating cash flows before working capital changes		**(25,425)**	(21,894)
Increase in properties under development		**(98,454)**	(3,576)
Increase in properties held for development		**(2,954)**	(442)
Decrease in properties held for sale		**11,898**	5,855
Increase in trade and other receivables		**(35,556)**	(160,621)
Decrease in amount receivable from sale of properties		**—**	41,860
Decrease (increase) in held-for-trading securities		**5,880**	(12,313)
Increase (decrease) in trade and other payables		**41,725**	(11,676)
Increase (decrease) in deposits received on sale of properties		**32,151**	(3,385)
Increase in receivable under finance lease arrangement		**(60,144)**	—
Settlement of claims	32	**(1,569)**	(3,531)
Cash flows used in operations		**(132,448)**	(169,723)
The People's Republic of China (the "PRC") Enterprise Income Tax paid		**(115)**	(3,032)
PRC land appreciation tax paid		**(150)**	—
Net cash used in operating activities		**(132,713)**	(172,755)

	NOTES	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Acquisition of subsidiaries	44	**(3,178)**	163,431
Disposals of subsidiaries	45	**156,960**	270,242
Disposal of associates		**—**	270,935
Proceeds from disposal of property, plant and equipment		**12**	148
Purchases of property, plant and equipment		**(1,668)**	(1,752)
Repayment of amount due from an associate		**—**	8,384
Interest received		**6,062**	780
Deposit received from disposal of assets held for sale		**—**	3,407
Net proceeds from restructuring	43	**20,693**	—
Repayment from an intermediate holding company		**1,742**	—
Repayment from a non-controlling shareholder of a subsidiary		**6,629**	—
Net cash from investing activities		**187,252**	715,575
Cash flows from financing activities			
Advance from (repayment to) related companies		**134**	(348)
Advance from a non-controlling shareholder of subsidiaries		**—**	14,994
Repayment of bank loan		**(45,600)**	(29,380)
Interest paid		**(2,781)**	(1,506)
Repayment of loan from a substantial shareholder		**—**	(5,762)
Capital contribution from a non-controlling shareholder of a subsidiary	44	**25,688**	1,140
New bank loan raised		**47,200**	—
Advance from ultimate holding company		**461**	—
Net cash generated from (used in) financing activities		**25,102**	(20,862)
Net increase in cash and cash equivalents		**79,641**	521,958
Cash and cash equivalents at beginning of year		**617,649**	95,590
Effect of foreign exchange rate changes		**19,327**	101
Cash and cash equivalents at end of year, representing bank balances and cash		**716,617**	617,649

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors regard the ultimate and immediate holding company as at 31 December 2010 to be China Chengtong Holdings Group Limited ("CCHG") and World Gain Holdings Limited respectively. The holding companies are established in the PRC and the British Virgin Islands ("BVI") respectively. The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 19.

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

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied the following new and revised standards and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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.

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 as disclosed in note 44(a) 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.

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** (Continued)*

- 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.

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.

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]

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

[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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by 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 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, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less accumulated impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business (including revenue from pre-completion contracts for the sale of development properties) is recognised when the respective properties have been completed and delivered to the buyer.

Deposits received from the purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position as deposits received on sale of properties under current liabilities.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties lent under operating leases, is recognised on a straight-line basis over the term of the leases.

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Handling income which constitutes initial direct costs directly attributable to negotiating and arranging a finance lease is included in the receivable under finance lease at initial recognition. When the Group derecognised the receivable under finance lease after the relevant receivable is transferred to a bank under a non-recourse factoring arrangement, the handling income included in the receivable under finance lease is recognised as income at the same time the Group derecognised the receivable under finance lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of reserve can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Income from the trading of securities is recognised on a trade date basis.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regard as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the assets and is recognised in the profit or loss.

Properties held for sales, properties held for development and properties under development

Properties held for sales, properties held for development and properties under development are stated at the lower of cost and net realisable value. Cost comprises the cost of the land together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development. Properties held for development represented properties which has not yet commenced development and mainly comprises with leasehold land before commencement of construction. Properties under development comprises leasehold land and certain construction costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL mainly represent financial assets held for trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including restricted bank balance, trade and other receivables, amounts due from subsidiaries/a non-controlling shareholder of a subsidiary/an intermediate holding company and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial assets because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period granted and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies/a non-controlling shareholder of subsidiaries/ultimate holding company, secured bank loans, unsecured other loans and loans from a non-controlling shareholder of subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets (including loans and receivables and finance lease receivables) are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

Finance lease receivables are derecognised when the Group entered into a finance lease receivable factoring arrangement with a bank and all the following conditions are satisfied:

- The Group transfers the contractual rights to receive cash flow from the finance lease receivables to a bank or the Group retains the contractual rights to receive the cash flows of the finance lease receivable, but assumes a contractual obligation to pay the cash flows to the bank in an arrangement;
- The Group has no obligation to pay amounts to the bank unless it collects equivalent amounts from the original asset;
- The Group is prohibited by the terms of the transfer contract (the finance lease receivable factoring arrangement) from selling or pledging the original asset other than as a security to the bank for the obligation to pay them cash flows;
- The Group has an obligation to remit any cash flows it collects on behalf of the bank without material delay; and
- The Group transfers substantially all the risks and rewards of ownership of the finance lease receivable.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measure using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Retirement benefits costs

Payments to the defined contribution retirement benefits schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (the share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to accumulated profits.

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application the Group's accounting policies, which are described in note 3, management of the Group has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is set out below.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2010, the carrying amount of trade and other receivable is HK$67,378,000 (net of allowance for doubtful debts of HK$227,000) (2009: carrying amount of HK$6,564,000, net of allowance for doubtful debts of HK$12,124,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in notes 35 and 36, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Held-for-trading securities	**8,266**	14,443
Loans and receivables (including cash and cash equivalents)	**803,734**	652,908
Receivable under finance lease arrangement	**60,154**	—
Financial liabilities		
Amortised costs	**63,919**	96,508

	THE COMPANY	
	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,095,647**	1,042,699
Financial liabilities		
Amortised costs	**997**	60,588

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include restricted bank balance, trade and other receivables, receivable under finance lease arrangement, amount due from a non-controlling shareholder of a subsidiary/an intermediate holding company, bank balances and cash, trade and other payables, amounts due to related companies/ultimate holding company/a non-controlling shareholder of subsidiary, secured bank loans, unsecured other loans and loans from a non-controlling shareholder of subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including currency risk, other price risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Most of the transactions of the Company and its major subsidiaries are denominated in their respective functional currency. The Company and its subsidiaries do not have significant financial assets or financial liabilities denominated in currencies other than their functional currencies. Accordingly, the Group does not have significant foreign currency exposure.

Other price risk

The Group's held-for-trading securities in listed securities are measured at fair value at each reporting date with reference to the listed share prices. Therefore, the Group is exposed to equity price risk and the management of the Group will monitor the price movements and take appropriate actions when it is required. The exposure of the equity risk is minimal and no sensitivity to equity price risk is provided.

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's bank balances with variable rates. The fair value interest rate risk relates primarily to the Group's fixed rate finance lease receivables, short-term bank deposits, amount due from a non-controlling shareholder of a subsidiary and secured bank loans. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

No sensitivity analysis is prepared for interest rate risk because the fluctuation and the respective impact is considered immaterial.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, receivable under finance lease arrangement and amount due from a non-controlling shareholder of a subsidiary. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade and bills receivables, receivable under finance lease arrangement, amount due from a non-controlling shareholder of a subsidiary at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is considered manageable.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are mainly banks with high credit-rating or with good reputation.

As at 31 December 2010, the Group has concentration of credit risk with major customers from (i) trading of coal, with amount of trade receivable of HK$37,076,000 (2009: nil) and (ii) financial leasing, with amount of receivable under finance lease arrangement of HK$60,154,000 (2009: nil). The management of the Group has closely monitored and reviewed the recoverability of the amounts and the management of the Group considers such risk is considered manageable.

At 31 December 2010, the Company also has significant concentration of credit risk which has an amount of HK$1,094,394,000 (2009: HK$1,039,994,000) due from a number of subsidiaries. The directors of the Company has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is considered manageable.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank loans and ensures compliance with loan covenants.

Liquidity table

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

At 31 December 2010

	THE GROUP			
	Weighted average interest rate per annum	**Within 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2010**
	%	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	15,150	15,150	15,150
Amounts due to related companies	—	508	508	508
Amounts due to ultimate holding company	—	461	461	461
Secured bank loans	5.81	49,942	49,942	47,200
Unsecured other loan — interest-free	—	600	600	600
		66,661	66,661	63,919

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

At 31 December 2010 (Continued)

	THE COMPANY		
	Weighted average interest rate per annum	**Within 1 year**	**Total undiscounted cash flows and carrying amount at 31.12.2010**
	%	*HK$'000*	*HK$'000*
Other payables	—	997	997

At 31 December 2009

	THE GROUP			
	Weighted average interest rate per annum	**Within 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2009**
	%	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	25,344	25,344	25,344
Amounts due to related companies	—	361	361	361
Amounts due to a non-controlling shareholder of a subsidiary	—	3,978	3,978	3,978
Secured bank loans	5.94	48,309	48,309	45,600
Unsecured other loan — interest-bearing	20.00	2,520	2,520	2,100
Unsecured other loan — interest-free	—	1,160	1,160	1,160
Loans from a non-controlling shareholder of subsidiaries	5.31	18,918	18,918	17,965
		100,590	100,590	96,508

	THE COMPANY		
	Weighted average interest rate per annum	**Within 1 year**	**Total undiscounted cash flows and carrying amount at 31.12.2009**
	%	*HK$'000*	*HK$'000*
Other payables	—	997	997
Amounts due to subsidiaries	—	59,591	59,591
		60,588	60,588

6. FINANCIAL INSTRUMENTS (Continued)

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets include listed equity securities and quoted debentures with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Group's and the Company's financial statements approximates their fair values.

Fair value measurements recognised in the consolidated statement of financial position

An analysis of financial instruments that are measured subsequent to initial recognised at fair value, are classified as Level 1 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.

At 31 December 2010, the listed equity securities and quoted debentures which grouped into Level 1 was amounting to HK$8,266,000 (2009: HK$8,348,000) and nil (2009: HK$6,095,000) respectively.

There is no transfer/reclassification outside Level 1 in the current year.

7. 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 PRC.

7. 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 disposal of subsidiaries					99,817
Gain on change in fair value of held-for-trading securities					2,099
Profit before taxation					98,962

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

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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 described in note 3. 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.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2010 HK$'000	2009 HK$'000
Segment assets		
Property investment	550,215	625,913
Property development	730,888	737,403
Financial leasing	344,797	—
Trading of coal	59,299	—
Total segment assets	1,685,199	1,363,316
Unallocated	29,494	201,629
Assets classified as held for sale	—	40,255
Consolidated assets	1,714,693	1,605,200
Segment liabilities		
Property investment	16,092	1,825
Property development	100,865	117,860
Financial leasing	548	—
Trading of coal	157	—
Total segment liabilities	117,662	119,685
Unallocated	16,598	33,545
Liabilities associated with assets classified as held for sale	—	7,166
Consolidated liabilities	134,260	160,396

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than held-for-trading securities, restricted bank balance, other receivables and bank balances and cash of head office and the inactive subsidiaries; and
- all liabilities are allocated to reportable segments other than current and deferred taxation and trade and other payables of head office and the inactive subsidiaries, deposits received from disposal of assets held for sale, amounts due to a non-controlling shareholder of a subsidiary and unsecured other loans.

7. 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.

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

	2010 ***HK$'000***	2009 *HK$'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.

7. SEGMENT INFORMATION *(Continued)*

Turnover from major products and services

	2010 *HK$'000*	2009 *HK$'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.

8. OTHER INCOME

	2010 *HK$'000*	2009 *HK$'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

9. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Interest on bank and other borrowings wholly repayable within five years	2,781	1,405
Interest paid to a former non-controlling shareholder of subsidiaries	80	59
Interest paid to China Chengtong Hong Kong Company Limited ("CCHK"), the intermediate holding company of the Company	—	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 (see note 24).

10. 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 *(note 38)*		
— Current year charge (credit)	**1,889**	(4,156)
Taxation charge (credit) for the year	**12,690**	(4,156)

The tax charge (credit) for the year can be reconciled to the profit per the consolidated income statement as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**98,962**	55,500
Domestic tax at the PRC EIT rate of 25% (2009: 25%)	**24,741**	13,875
Tax effect of share of results of an associate	**—**	(1,526)
Tax effect of expenses not deductible for tax purposes	**1,067**	5,756
Tax effect of income not taxable for tax purposes	**(4,035)**	(28,999)
Tax effect of tax losses not recognised	**6,492**	3,034
Tax effect of temporary differences not recognised	**(11,169)**	5,497
Utilisation of tax losses previously not recognised	**(2,955)**	(636)
Utilisation of temporary differences previously not recognised	**(2,650)**	(1,157)
Withholding tax for undistributed profits of PRC subsidiaries	**1,199**	—
Taxation charge (credit)	**12,690**	(4,156)

The domestic tax rate is 25% for both years as the major profit making units of the Group are situated at locations where 25% is the domestic tax rate.

11. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'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
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)

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2009: 9) directors were as follows:

For the year ended 31 December 2010

	Zhang Guotong HK'000	Wang Hongxin HK$'000	Xu Zhen HK$'000	Gu Laiyun HK$'000	Kwong Che Keung, Gordon HK$'000	Tsui Yiu Wa, Alec HK$'000	Lao Youan (retired on 9.6.2010) HK$'000	Ba Shusong HK$'000	Wang Tianlin HK$'000	Total 2010 HK$'000
Fees	360	240	240	240	360	360	106	240	240	2,386
Salaries	841	650	—	—	—	—	—	—	309	1,800
Performance-based bonus *(Note)*	250	300	—	—	—	—	—	—	200	750
Contributions to retirement benefits schemes	54	48	—	—	—	—	—	—	33	135
Total emoluments	1,505	1,238	240	240	360	360	106	240	782	5,071

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2009

	Zhang Guotong HK'000	Wang Hongxin HK$'000	Xu Zhen HK$'000	Gu Laiyun HK$'000	Kwong Che Keung, Gordon HK$'000	Tsui Yiu Wa, Alec HK$'000	Lao Youan HK$'000	Ba Shusong HK$'000	Wang Tianlin HK$'000	Total 2009 HK$'000
Fees	360	240	240	240	360	360	240	240	80	2,360
Salaries	840	650	—	—	—	—	—	—	—	1,490
Performance-based bonus *(Note)*	—	—	—	—	—	—	—	—	—	—
Contributions to retirement benefits schemes	42	33	—	—	—	—	—	—	—	75
Total emoluments	1,242	923	240	240	360	360	240	240	80	3,925

Note: The performance-based bonus is determined by the performance of each individual director of the Group for the relevant years.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2009: two) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining two (2009: three) individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	1,237	2,021
Performance-based bonus	343	—
Contributions to retirement benefits schemes	79	97
	1,659	2,118

Emoluments of each of the 2 (2009: 3) highest paid individuals were within the following band:

	2010 Number of employees	2009 Number of employees
Nil to HK$1,000,000	2	3

During the years ended 31 December 2010 and 2009, no remunerations were paid by the Group to the directors or the two (2009: three) highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors waived any emoluments during the year.

13. 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 the approval by the shareholders of the Company in the forthcoming annual general meeting.

14. 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.

15. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. All employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme, whereas all new Hong Kong employees joining the Group after December 2000 are required to join the MPF Scheme. The Group contributes 5% of relevant payroll costs for each employee to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute 19% to 20% (2009: 19% to 20%) of payroll costs, with upper limit for each employee, to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended 31 December 2010, contributions totalling of HK$1,137,000 (2009: HK$848,000) were paid by the Group.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Furniture and equipment HK$'000	Motor vehicles HK$'000	Facilities HK$'000	Total HK$'000
COST				
At 1 January 2009	12,914	4,040	—	16,954
Currency realignment	20	20	—	40
Acquired on acquisition of subsidiaries	244	1,232	3,121	4,597
Additions	632	1,120	—	1,752
Disposal of a subsidiary	(173)	(827)	—	(1,000)
Disposals	—	(367)	—	(367)
At 31 December 2009	13,637	5,218	3,121	21,976
Currency realignment	78	153	110	341
Additions	285	1,383	—	1,668
Disposal of subsidiaries	(10,148)	(268)	—	(10,416)
Disposals	(12)	(957)	—	(969)
At 31 December 2010	3,840	5,529	3,231	12,600
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2009	11,105	1,511	—	12,616
Currency realignment	11	5	—	16
Provided for the year	828	443	24	1,295
Eliminated on disposal of a subsidiary	(39)	(188)	—	(227)
Eliminated on disposals	—	(278)	—	(278)
At 31 December 2009	11,905	1,493	24	13,422
Currency realignment	49	31	5	85
Provided for the year	895	580	158	1,633
Eliminated on disposal of subsidiaries	(9,608)	(26)	—	(9,634)
Eliminated on disposals	—	(953)	—	(953)
At 31 December 2010	3,241	1,125	187	4,553
CARRYING AMOUNTS				
At 31 December 2010	599	4,404	3,044	8,047
At 31 December 2009	1,732	3,725	3,097	8,554

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

THE COMPANY

	Furniture and equipment *HK$'000*
COST	
At 1 January 2009, 31 December 2009 and 31 December 2010	963
ACCUMULATED DEPRECIATION	
At 1 January 2009	694
Provided for the year	269
At 31 December 2009	963
Provided for the year	—
At 31 December 2010	963
CARRYING AMOUNTS	
At 31 December 2010	—
At 31 December 2009	—

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and equipment	10% to 33%
Motor vehicles	12.5% to 33%
Facilities	5%

17. INVESTMENT PROPERTIES

	THE GROUP	
	2010 ***HK$'000***	2009 *HK$'000*
FAIR VALUE		
At 1 January	**251,256**	89,270
Currency realignment	**8,208**	790
Gain (loss) on change in fair value recognised in profit or loss	**2,760**	(11,400)
Acquired on an acquisition of a subsidiary *(Note 44(b))*	**—**	212,496
Disposal of a subsidiary *(Note 45(a))*	**(39,440)**	—
Reclassified as held for sale *(Note)*	**—**	(39,900)
At 31 December	**222,784**	251,256

17. INVESTMENT PROPERTIES *(Continued)*

Note: On 31 December 2009, the Group entered into a sale and purchase agreement for the disposal of 100% equity interest in an investment property holding company, thus, the corresponding assets are being reclassified as held for sale (see note 30). The transaction has been completed in January 2010 (see note 45(a)).

The carrying amount of investment properties shown above represents land and properties situated in the PRC held under medium-term lease.

The fair values of the Group's investment properties at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

18. GOODWILL

	THE GROUP *HK$'000*
COST	
At 1 January 2010	—
Arising on acquisition of a subsidiary *(Note 44(a))*	209
Impairment	(209)
At 31 December 2010	—

The goodwill has been allocated to one cash generating unit ("CGU") representing the new acquired subsidiary 大豐瑞能燃料有限公司 ("Dafeng Ruineng"), which is engaged in coal trading business which amount to HK$209,000. Goodwill arising on acquisition of Dafeng Ruineng was impaired at the date of acquisition.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2010 *HK$'000*	2009 *HK$'000*
Unlisted shares, at cost	**1,000**	1,001
Less: Impairment loss	**(1,000)**	(1,000)
	—	1
Amounts due from subsidiaries	**564,127**	—
	564,127	1

Amounts due from subsidiaries form part of the Company's net investment in the subsidiaries. The amounts are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future.

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31 December 2010 and 2009 are as follows:

Company	Place of incorporation/ operations	Total paid-up and issued ordinary share/registered capital 2010	2009	Equity interest owned by the Group 2010 %	2009 %	Principal activities
Directly held:						
Galactic Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	2 ordinary shares of HK$1 each	100	100	Investment holding
Key Asset Limited	Hong Kong	100 ordinary shares of HK$1 each	100 ordinary shares of HK$1 each	100	100	Investment holding
Merry World Associates Limited ("Merry World")#	BVI/PRC	N/A	1 ordinary share of US$1	N/A	100	Property investment
Indirectly held:						
Talent Dragon Limited ("TDL")#	BVI/Hong Kong	N/A	1 ordinary share of US$1	N/A	100	Investment holding
Boxhill Limited#	BVI/Hong Kong	N/A	1 ordinary share of US$1	N/A	100	Investment holding
China Chengtong Properties Group Limited ("CCPGL")#	Hong Kong	N/A	10,000 ordinary shares of HK$1 each	N/A	100	Investment holding
Price Sales Limited	Hong Kong	10,000 ordinary shares of HK$1 each	10,000 ordinary shares of HK$1 each	100	100	Investment holding
中實投資有限責任公司 ("Zhongshi")**#	PRC	N/A	RMB100,000,000	N/A	100	Property development
洛陽城南**#	PRC	N/A	RMB26,680,000	N/A	100	Property investment
諸城港龍置地有限公司 ("港龍置地")**#	PRC	N/A	RMB33,000,000	N/A	80	Property development
泰豐置地**#	PRC	N/A	RMB33,000,000	N/A	80	Property development
鳳凰置地**	PRC	RMB50,000,000	RMB50,000,000	100	80	Property development
誠通實業投資有限公司 ("誠通實業")**	PRC	RMB268,000,000	RMB268,000,000	100	100	Property investment
誠通大豐海港開發有限公司 ("大豐開發")*	PRC	RMB150,000,001	RMB150,000,001	66.67	66.67	Property development
桂林誠通置業管理有限公司**	PRC	RMB2,000,000	N/A	100	N/A	Property management
誠通融資租賃有限公司**	PRC	US$36,000,000/ US$40,000,000	N/A	100	N/A	Financial leasing
Dafeng Ruineng**	PRC	RMB50,000,000	N/A	34	N/A	Trading of coal

19. INTERESTS IN SUBSIDIARIES *(Continued)*

* The subsidiary was established in the PRC as a sino-foreign equity joint venture enterprise.

** A limited liability company established in the PRC.

\# Subsidiaries were disposed of during 2010.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2010 and 2009 or at any time during the year.

20. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand. The directors of the Company expected the amounts due from subsidiaries will be settled within one year from the end of the reporting period.

21. RESTRICTED BANK BALANCE

Pursuant to the order of the High Court of the Hong Kong Special Administrative Region dated 20 June 2006 confirming the cancellation of the entire sum standing to the credit of the share premium account of the Company as at 31 December 2004 and set off with the accumulated loss of the Company as at 31 December 2004 (the "Capital Reduction") which became effective on 21 June 2006 (the "Effective Date"), a sum of HK$4,200,000 ("Trust Fund") was deposited on 20 June 2006 into a new and segregated bank deposit account designated "CCDG Capital Reduction Account" ("Trust Account") in the name of Key Asset Limited (a wholly owned subsidiary of the Company) ("Trustee") as trustee for the benefit of those creditors of the Company who have not given their consents to the Capital Reduction as at the Effective Date ("Non-consenting Creditors"). In relation to the said trust, it is undertaken by the Company and the Trustee that: (a) the Company will procure the Trustee to apply the Trust Fund for the sole and exclusive purpose of paying the Non-consenting Creditors in discharge, satisfaction or settlement of their projected claims on the Effective Date ("Pre-Capital Reduction Claims"); (b) in the event that any Non-consenting Creditors shall give its consent to the Capital Reduction subsequent to the Effective Date, the amount of the Trust Fund shall be reduced by the relevant Pre-Capital Reduction Claims from the said Non-consenting Creditor(s) and the Trustee shall be at liberty to transfer the amount of any such reduction(s) to the other bank accounts of the Company and the same shall become available for working capital or any other general uses of the Company; (c) the Trustee shall maintain to the credit of the Trust Account a cash balance of not less than the aggregate Pre-Capital Reduction Claims from the remaining Non-consenting Creditors outstanding at any time whilst the Trust Account remains operated; (d) the Company and the Trustee shall maintain the Trust Account for a period of six years from the Effective Date unless it is terminated earlier upon the happening of any of the following events, i.e., (aa) all the Pre-Capital Reduction Claims shall have been paid, satisfied, settled or otherwise extinguished; (bb) the remaining Non-consenting Creditors shall subsequently give their consents to the Capital Reduction; (cc) any period of limitation in respect of the remaining Pre-Capital Reduction Claims shall have expired; or (dd) such earlier date as the High Court shall direct upon application by the Company.

Restricted bank balance carries interest at market rate at 0.002% (2009: 0.01%) per annum.

22. PROPERTIES HELD FOR SALE

As stated in note 32, the rights to transfer the interests in certain properties held for sale as at 31 December 2009 is restricted by an execution order until the full settlement of the Court Order's liability. The settlement was completed in February 2010. The restriction was released in June 2010. Upon the release of the restriction, the properties held for sale were sold to customers.

23. PROPERTIES HELD FOR DEVELOPMENT

The properties held for development mainly comprises leasehold land in the PRC under medium-term and long leases without commencement of construction works. The amount is expected to be recovered within the normal operating cycle and it therefore classified as current assets.

24. PROPERTIES UNDER DEVELOPMENT

Properties held for development comprises leasehold land and certain construction costs in the PRC under medium term leases. The amount is expected to be recovered within the Company's operating cycle, thus, it is classified as current assets. Amount expected to be recovered after twelve months from the end of the reporting period is HK$267,330,000 (2009: HK$203,077,000).

25. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**37,076**	3,001
Bill receivable *(note (b))*	**24,780**	—
Other receivables	**2,255**	1,142
Prepayments and deposits	**3,267**	2,421
Total trade and other receivables	**67,378**	6,564

Notes:

(a) 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

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 these balances.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
1 January	12,124	12,403
Currency realignment	8	5
Amounts recovered during the year	(115)	(284)
Eliminated upon disposal of subsidiaries	(11,790)	—
31 December	227	12,124

Included in the allowance for doubtful debts are individually impaired trade and receivables with an aggregate balance of HK$227,000 (2009: HK$12,124,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

(b) As at 31 December 2010, bill receivable represents the unsettled consideration receivable upon disposal of the subsidiary, 泰豐置地. Details disclosed in note 45(a).

26. RECEIVABLE UNDER FINANCE LEASE ARRANGEMENT

In October 2010, the Group entered into a finance lease agreement pursuant to which a financial leasing customer (the "lessee") sold its equipment to the Group at RMB50,000,000 (equivalent to approximately HK$59,000,000) and leased back the equipment with the lease period between 14 October 2010 to 14 January 2011. The interest rate inherent in the lease is fixed at the contract date over the lease term. In addition, the ownership of leased assets will be transferred to the lessee at a purchase option of RMB100 (equivalent to approximately HK$118) upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

	2010 HK$'000
Receivable under finance lease arrangement comprise	
Within one year	60,384
Less: Unearned finance income	(230)
Present value of minimum lease receivable	60,154

Effective interest rate of the above finance lease is 9.38% per annum.

Receivable under finance lease arrangement is secured over the leased equipment and the Group has a collateral of the leasehold land and buildings of an independent third party with estimated value of approximately RMB109,758,000 (equivalent to approximately HK$129,515,000) over this receivable. The Group is not permitted to sell or repledge the collateral in absence of default by the lessee.

The fair value of receivable under finance lease arrangement approximates to its carrying amount.

At the end of the lease period, the lessee is required to pay the Group one lump sum lease payment of approximately RMB51,173,000 (equivalent to approximately HK$60,384,000).

On 14 January 2011, the Group entered into a lease renewal agreement with the lessee pursuant to which the Group has agreed to extend the lease term to 14 May 2011.

27. AMOUNTS DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/AN INTERMEDIATE HOLDING COMPANY

The amounts due from a non-controlling shareholder of a subsidiary and an intermediate holding company are unsecured. The amount due from a non-controlling shareholder of a subsidiary bears interest at 7.02% per annum (2009: 6.48%), which is 20% above the interest rate per annum offered by the People's Bank of China and it is repayable within twelve months from the end of the reporting period. The amount due from an intermediate holding company as at 31 December 2009 was interest-free and fully repaid during the current year.

28. HELD-FOR-TRADING SECURITIES

	2010	2009
	HK$'000	*HK$'000*
Listed/quoted securities/debentures:		
— Equity securities listed in Hong Kong	**8,266**	7,442
— Equity securities listed in the PRC	**—**	906
— Debentures quoted through OTC in Asia	**—**	6,095
	8,266	14,443

29. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry at fixed interest rates.

Bank balances carry interest at market rates which range from 0.01% to 0.52% (2009: from 0.01% to 0.31%) per annum.

Bank balances and cash amounting to HK$701,560,000 (2009: HK$441,882,000) were denominated in Renminbi ("RMB") which is not a freely convertible currency in the international market. The RMB exchange rate is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

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

The Company entered into a sale and purchase agreement with a third party to dispose of the entire issued share capital in a subsidiary, Merry World on 31 December 2009. The assets and liabilities attributable to Merry World have been classified as assets classified as held for sale and liabilities associated with it are presented separately in the consolidated statement of financial position as at 31 December 2009. This transaction was completed in January 2010 with a cash consideration of HK$33,680,000 (including deposit received in 2009 of HK$3,407,000), which resulted in a gain on disposal of approximately HK$591,000.

31. TRADE AND OTHER PAYABLES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade payables	**1,436**	8,453
Other payables and accruals	**34,089**	29,001
	35,525	37,454

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

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

32. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS

Provisions for claims represented the provision for several legal cases of a wholly-owned subsidiary of the Group, 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

* 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.

32. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS *(Continued)*

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 Statements"). 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 the 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 unauthorised 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 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.

33. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies represented the balances due to the subsidiaries of the ultimate holding company at the end of the reporting period. These balances are unsecured, interest-free and repayable on demand.

34. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/ A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts due to a non-controlling shareholder of a subsidiary and ultimate holding company are unsecured, interest-free and repayable on demand.

35. SECURED BANK LOANS

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**47,200**	45,600

The bank loans carry interest at 5.81% per annum, which is the interest rate per annum offered by The People's Bank of China (2009: 5.94% per annum which is 10% above the interest rate per annum offered by The People's Bank of China).

At 31 December 2010, the bank loan of HK$47,200,000 (2009: HK$45,600,000) is secured by the land use right of a property held for development which amounting to approximately HK$105,000,000 (2009: HK$101,000,000).

36. UNSECURED OTHER LOANS

The other loans from third parties are unsecured, repayable on demand and interest-free. At 31 December 2009, the balances included a loan of HK$2,100,000 which carried fixed interest rate at 0.05% per day on a compound basis. An amount of HK$2,660,000 was derecognised upon disposal of subsidiaries during the year ended 31 December 2010.

37. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

At 31 December 2009, loans from a non-controlling shareholder of certain subsidiaries are unsecured, interest bearing at 5.31% per annum after the completion of capital injection to the subsidiaries in December 2009. It is repayable on demand within three years from the date the Group obtained the certificates of the land use rights for certain properties held for development and properties under development, which occurred in April and May 2009. The balances were fully settled pursuant to the restructuring described in note 43.

38. DEFERRED TAX LIABILITIES

THE GROUP

The followings are the major deferred tax liabilities and movement thereon during the current and prior years:

	Revaluation of properties *HK$'000*	Undistributed profits of PRC subsidiaries *HK$'000*	Total *HK$'000*
At 1 January 2009	4,979	1,867	6,846
Credited to profit or loss *(note 10)*	(4,156)	—	(4,156)
Disposal of a subsidiary *(note 45)*	—	(1,867)	(1,867)
Reclassified as liabilities associated with assets classified as held for sale	(146)	—	(146)
Exchange differences	41	—	41
At 31 December 2009	718	—	718
Charge to profit or loss *(note 10)*	690	1,199	1,889
Disposal of a subsidiary *(note 45)*	(724)	—	(724)
Exchange differences	24	—	24
At 31 December 2010	708	1,199	1,907

The Group has tax losses and deductible temporary differences not recognised in the consolidated financial statements as follows:

	THE GROUP	
	2010 *HK$'000*	2009 *HK$'000*
Tax losses	**119,845**	107,602
Impairment losses, allowance for receivables and provisions for claims	**—**	37,920
	119,845	145,522

No deferred tax asset in respect of the abovementioned tax losses and temporary differences has been recognised due to unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK$10,743,000 (2009: HK$16,005,000) that will expire in the year of 2015, other tax losses may be carried forward indefinitely. In the opinion of the directors, the tax loss could be carried forward to set off against future profit streams.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC entities to a non-PRC holding company from 1 January 2008 onwards.

THE COMPANY

At 31 December 2010, the Company has unused tax losses of HK$73,849,000 (2009: HK$58,183,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely. In the opinion of the directors, the tax loss could be carried forward to set off against future profit streams.

39. SHARE CAPITAL

	2010		2009	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January and at 31 December	6,000,000	600,000	6,000,000	600,000
Issued and fully paid:				
At 1 January	4,173,434	417,344	2,678,905	267,891
Increase during the year *(note)*	—	—	1,494,529	149,453
At 31 December	4,173,434	417,344	4,173,434	417,344

Note: On 6 November 2009, the Company completed the acquisition of 100% equity interest in 誠通實業 and 66.67% equity interest in 大豐開發, with consideration settled by 1,494,528,657 ordinary shares.

All shares issued during the year rank pari passu with other shares in issue in all respects.

40. SHARE OPTION SCHEME

The Company adopted a share option scheme at the extraordinary general meeting of the Company held on 24 June 2003 (the "Scheme"), the directors of the Company may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares ("Shares") in the Company subject to the terms and conditions stipulated therein.

Details of the Scheme are as follows:

(i) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity.

(ii) Participants

The directors of the Company may, at their discretion, invite any participant including any executive director, non-executive director or employee (whether full time or part time), shareholder, supplier, customer, consultant, adviser, other service provider or any joint venture partner, business or strategic alliance partner, in each case, of the Company, any subsidiary of the Company or any invested entity, to take up options to subscribe for Shares in the Company.

40. SHARE OPTION SCHEME (Continued)

(iii) Maximum number of shares

(a) 30% limit

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the Shares in issue from time to time (the "Scheme Limit").

(b) 10% limit

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Scheme must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme (excluding any options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, renew the Scheme Mandate Limit by obtaining the approval of its shareholders in general meeting. The Company may also seek separate approval by its shareholders in general meeting for granting options beyond the renewed Scheme Mandate Limit provided the options in excess of such limit are granted only to participants specifically identified.

(iv) Maximum entitlement of each participant

Unless approved by shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the Shares in issue. Where any further grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

(v) Price of shares

The exercise price must be at least the higher of: (a) the nominal value of a Share at the date of grant; (b) the closing price of a Share as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(vi) Amount payable upon acceptance of the option

Acceptance of an offer of the grant of an option shall be by the delivery to and receipt by the Company at its registered office of the form of acceptance sent to the participant duly completed and signed by the participant together with a remittance of HK$1.

(vii) Exercisable periods

The options are generally either fully vested and exercisable within a period of time up to the maximum of 10 years immediately after the date of acceptance of the offer or are vested over a period of time at the directors' discretion on each grant.

40. SHARE OPTION SCHEME *(Continued)*

(viii) Vesting periods

(a) The options granted on 8 March 2004 have vesting period as follows:

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

(b) The options granted on 28 September 2004 have vesting period as follows:

100% of the options are vested in 12 months from the date of acceptance of the offer.

(ix) The remaining life of the Scheme

The life of the Scheme is 10 years commencing on 24 June 2003 and will end on 23 June 2013.

(x) Shares available for issue under the Scheme

As at 31 December 2010 and 2009, the total number of shares available for issue under the Scheme was approximately 141,577,000 shares which represented approximately 3.4% of the total issued share capital of the Company.

No option was granted during the year ended 31 December 2010.

The movements in the number of options outstanding during the year ended 31 December 2009 and 31 December 2010 which were granted to the employees of the Group under the Scheme were as follows:

	Date of grant	Exercisable period	Exercise price *HK$*	Adjusted exercise price *HK$*	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
Other employees	8.3.2004	9.3.2006 to 8.3.2009	0.364	0.3012	125,196	(125,196)	—
Weighted average exercise price per share					0.364	0.364	N/A
Adjusted weighted average exercise price per share					0.3012	0.3012	N/A

41. SHARE PREMIUM AND RESERVES

THE GROUP

Details of changes in share premium and reserves of the Group are set out in the consolidated statement of changes in equity on page 32.

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	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
At 1 January 2009	213,965	402	—	21	(58,600)	155,788
Loss for the year	—	—	—	—	(16,335)	(16,335)
Increase during the year *(see note 39)*	416,409	—	—	—	—	416,409
Share options lapsed	—	—	—	(21)	21	—
At 31 December 2009	630,374	402	—	—	(74,914)	555,862
Profit for the year	—	—	—	—	111,595	111,595
Exchange differences arising on translation	—	—	1,924	—	—	1,924
At 31 December 2010	630,374	402	1,924	—	36,681	669,381

42. OPERATING LEASES COMMITMENTS

(a) Operating lease commitments as lessee

At 31 December 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Within one year	**2,531**	2,426	**1,626**	1,626
In the second to fourth years	**1,990**	4,553	**1,355**	2,980
	4,521	6,979	**2,981**	4,606

Leases are negotiated for an average term of three years.

42. OPERATING LEASES COMMITMENTS (Continued)

(b) Operating leases commitments as lessor

At 31 December 2010, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**2,053**	965
In the second to fifth years inclusive	**1,576**	—
	3,629	965

Leases are negotiated for an average term of two years (2009: three years).

43. RESTRUCTURING

On 18 February 2010, the Group entered into an agreement for the restructuring of the shareholding structure and the shareholders' loans of 港龍置地，泰豐置地 and 鳳凰置地 with the existing 20% non-controlling shareholder at that time, 北京世紀尊博投資有限公司 ("世紀尊博") (the "Reorganisation"). The Reorganisation transaction represented the acquisition of 20% equity interests in 泰豐置地 and 鳳凰置地, existing 80% owned subsidiaries at that time, held by 世紀尊博 at a consideration of RMB16,600,000 (equivalent to approximately HK$18,924,000) and the disposal of 80% equity interests in 港龍置地 held by Zhongshi, a subsidiary of the Group at that time at a consideration of RMB27,900,000 (equivalent to approximately HK$31,806,000). At the same time, the shareholders' loans provided by Zhongshi and 世紀尊博 for the three entities were restructured and the net amount payable by 世紀尊博 to the Group as a result of debt restructuring was approximately RMB6,951,000 (equivalent to approximately HK$7,925,000). Accordingly, 世紀尊博 shall pay to the Group in aggregate net amount of approximately RMB18,251,000 (equivalent to approximately HK$20,807,000). The transaction was completed in April 2010, 泰豐置地 and 鳳凰置地 became wholly-owned subsidiaries of the Group, while 港龍置地 was no longer a subsidiary of the Group. The net cash consideration arising on the transaction which net of the bank balances and cash disposed of HK$114,000 is amounting to HK$20,693,000.

The additional interests acquired in this transaction are as follows:

	泰豐置地	**鳳凰置地**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Additional interest acquired:			
Non-controlling interest	7,361	10,881	18,242
Difference arising on the acquisition of additional interests in subsidiaries included in equity	163	519	682
Total consideration	7,524	11,400	18,924
Cash outflow arising on acquisition:			
Cash consideration paid	(7,524)	(11,400)	(18,924)

The details of disposal of 港龍置地 is shown as note 45.

44. ACQUISITION OF SUBSIDIARIES

(a) The Group, through its subsidiary, Chengtong Dafeng Harbour Construction Limited (誠通大豐海港工程建設有限公司), has acquired 51% interest of Dafeng Ruineng in October 2010 at a consideration of RMB2,728,500 (equivalent to approximately HK$3,180,000). Dafeng Ruineng is engaged in coal trading business.

The fair values of the net assets acquired in the transaction are as follows:

Year ended 31 December 2010

	Dafeng Ruineng *HK$'000*
Net assets acquired:	
Amount due from shareholder	5,825
Bank balances and cash	2
Other payables	(3)
	5,824
Non-controlling interests	(2,853)
Goodwill	209
	3,180
Total consideration, satisfied by:	
Cash	3,180
Net cash outflow arising on acquisition:	
Cash consideration paid	(3,180)
Bank balances and cash acquired	2
	(3,178)

After the acquisition, the Group further contributed additional capital of RMB22,950,000 (equivalent to approximately HK$26,737,000) to Dafeng Ruineng. At the same time, the non-controlling shareholder also contributed its share of additional share capital of RMB22,050,000 (equivalent to approximately to HK$25,688,000).

44. ACQUISITION OF SUBSIDIARIES (Continued)

(b) On 6 November 2009, the Group acquired the entire equity interest in 誠通實業 and 66.67% equity interest in 大豐開發 through the acquisition of two newly incorporated BVI companies Chengtong Enterprises Investment Limited and Chengtong Investment Group Limited through its intermediate holding company from its ultimate holding company by issuance of 1,494,528,657 ordinary shares of the Group. The principal asset of 誠通實業 comprises investment properties situated in the PRC of fair value HK$212,496,000 while that of 大豐開發 comprises property under development and property held for development situated in the PRC of fair value of HK$57,000,000 and HK$280,440,000 respectively. The fair value of investment properties of 誠通實業 and the property held for development of 大豐開發 were arrived at on the basis of valuation carried out by independent qualified professional valuers by reference to market evidence of transaction prices for similar properties. The acquisition were accounted for as acquisitions of assets.

The fair values of the net assets acquired in the transactions were as follows:

Year ended 31 December 2009

	誠通實業 HK$'000	**大豐開發** HK$'000	**Total** HK$'000
Net assets acquired:			
Property, plant and equipment	3,121	1,476	4,597
Investment properties	212,496	—	212,496
Property under development	—	57,000	57,000
Property held for development	—	280,440	280,440
Amount due from a minority shareholder	—	23,978	23,978
Amounts due (to) from an intermediate holding company	(70)	1,812	1,742
Other receivables	—	277	277
Bank balances and cash	95,765	67,666	163,431
Held-for-trading securities	—	11	11
Amounts due to related companies	(337)	(28)	(365)
Other payables	(781)	(4,455)	(5,236)
Bank loans	—	(45,600)	(45,600)
	310,194	382,577	692,771
Non-controlling interests	—	(126,909)	(126,909)
	310,194	255,668	565,862
Total consideration, satisfied by:			
Share capital	86,588	62,865	149,453
Share premium	223,606	192,803	416,409
	310,194	255,668	565,862
Net cash inflow arising on acquisition:			
Bank balances and cash acquired	95,765	67,666	163,431

45. DISPOSALS OF SUBSIDIARIES

(a) Year ended 31 December 2010

During the year ended 31 December 2010, there are altogether six disposal transactions entered into by the Group which included the disposals of (i) Merry World; (ii) 港龍置地; (iii) certain inactive subsidiaries; (iv) 洛陽城南; (v) 泰豐置地; (vi) TDL, CCPGL and Zhongshi. Details of the six transactions are summarised follow:

(i) Disposal of Merry World

On 31 December 2009, the Company entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital in a subsidiary, Merry World, at a cash consideration of HK$33,680,000. The transaction was completed in 6 January 2010 with a gain of approximately HK$591,000.

An amount of approximately HK$3,182,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

(ii) Disposal of 港龍置地

Details of the disposal and the Reorganisation are set out in note 43. The disposal of 港龍置地 resulting for a gain of approximately HK$2,237,000 and a release of approximately HK$96,000 from the exchange reserve and transfer to accumulated profits during the current year.

(iii) Disposal of certain inactive subsidiaries

In June 2010, the Group entered into a sale and purchase agreement with an independent third party, for the disposal of the Group's interests in 16 subsidiaries with a consideration of HK$1. The transaction was completed in June 2010 with a gain of approximately HK$14,206,000.

These 16 subsidiaries included Beasley International Limited, Boxhill Limited, Chinacorp International Investment Holdings Limited, China Logistics Group Limited, Digital Sun Holdings Limited, e-Distribution Network Limited, Eastern World Transport Inc., Fenugreek International Limited, Galaxy Gain Limited, Meryton Enterprises Limited, Ocean-Land Estate Agents Limited, Ocean-Land Group Limited, Ocean-Land Sports Holding Limited, Ocean-Land Trading Limited, Ocean-Land Warehousing Limited and Winner Artificial Flowers Limited.

(iv) Disposal of 洛陽城南

In August 2010, the Group entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital 洛陽城南 and the amount due to a group company at cash consideration of RMB57,875,000 (equivalent to approximately HK$67,135,000) and RMB3,975,000 (equivalent to approximately HK$4,611,000), respectively. The transaction was completed in September 2010 with a gain of approximately HK$32,626,000.

An amount of approximately HK$156,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

45. DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Year ended 31 December 2010 *(Continued)*

(v) Disposal of 泰豐置地

In November 2010, the Group entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital in 泰豐置地 at cash consideration of RMB71,690,000 (equivalent to approximately HK$84,594,000). The transaction was completed in December 2010 with a gain of approximately HK$46,800,000.

An amount of approximately HK$458,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

(vi) Disposal of TDL, CCPGL and Zhongshi

In December 2010, the Group entered into sale and purchase agreements with a third party, for the disposal of the entire issued share capital in subsidiaries, TDL (which holds 70% equity interest in Zhongshi) and CCPGL (which holds 30% equity interest in Zhongshi) at cash consideration of HK$95,250,000 and HK$40,910,000, respectively. Other than the equity interests in Zhongshi, TDL and CCPGL did not hold other assets. The Group, in essence, disposed its entire interest in Zhongshi. The transaction was completed in December 2010 with a gain of approximately HK$3,357,000.

An amount of approximately HK$21,634,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

45. DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Year ended 31 December 2010 *(Continued)*

The net assets (liabilities) of Merry World, certain inactive subsidiaries, 洛陽城南, 泰豐置地, TDL, CCPGL and Zhongshi, and 港龍置地 at date of disposals were as follows:

	Merry World *HK$'000*	Certain inactive subsidiaries *HK$'000*	洛陽城南 *HK$'000*	泰豐置地 *HK$'000*	TDL, CCPGL and Zhongshi *HK$'000*	Sub-total *HK$'000*	港龍置地 *HK$'000*	Total *HK$'000*
Net assets disposed of:								
Assets classified as held for sale	40,255	—	—	—	—	40,255	—	40,255
Properties held for development	—	—	—	72,276	—	72,276	62,938	135,214
Trade and other receivables	—	3,018	—	48	6,643	9,709	6	9,715
Bank balances and cash	—	—	45	1	43	89	114	203
Investment property	—	—	39,440	—	—	39,440	—	39,440
Property, plant and equipment	—	—	537	11	234	782	—	782
Property held for sale	—	—	—	—	58	58	—	58
Amount due from a group company	—	—	—	—	140,129	140,129	—	140,129
Provisions for claims	—	—	—	—	(525)	(525)	—	(525)
Deferred tax liabilities	—	—	(724)	—	—	(724)	—	(724)
Liabilities associated with assets classified as held for sale	(7,166)	—	—	—	—	(7,166)	—	(7,166)
Trade and other payables	—	(10,632)	(219)	(34,542)	(8,505)	(53,898)	(126)	(54,024)
Loans from a non-controlling shareholder of subsidiaries	—	—	—	—	—	—	(2,930)	(2,930)
Amounts due to group companies	—	—	(4,611)	—	—	(4,611)	(23,040)	(27,651)
Amounts due to non-controlling shareholders of subsidiaries	—	(3,978)	—	—	—	(3,978)	—	(3,978)
Taxation payable	—	(5)	—	—	(5,517)	(5,522)	—	(5,522)
Unsecured other loans	—	(2,660)	—	—	—	(2,660)	—	(2,660)
	33,089	(14,257)	34,468	37,794	132,560	223,654	36,962	260,616
Non-controlling interests	—	—	—	—	—	—	(7,393)	(7,393)
	33,089	(14,257)	34,468	37,794	132,560	223,654	29,569	253,223
Directly attributable cost *(Note)*	—	51	41	—	243	335	—	335
Gain on disposals	591	14,206	32,626	46,800	3,357	97,580	2,237	99,817
	33,680	—	67,135	84,594	136,160	321,569	31,806	353,375
Satisfied by:								
Cash consideration received during the year	30,273	—	67,135	59,814	—	157,222	31,806	189,028
Deposit received from disposal of assets held for sale as at 31 December 2009	3,407	—	—	—	—	3,407	—	3,407
Bill receivable	—	—	—	24,780	—	24,780	—	24,780
Purchaser's payment made to Zhongshi on behalf of the Group for the repayment to settle the amount owed by the Group to Zhongshi	—	—	—	—	136,160	136,160	—	136,160
Total consideration	33,680	—	67,135	84,594	136,160	321,569	31,806	353,375
Cash inflow arising on disposal:								
Cash consideration received during the current year	30,273	—	67,135	59,814	—	157,222	31,806	189,028
Directly attributable cost	—	(51)	(41)	—	(81)	(173)	—	(173)
Bank balances and cash disposed of	—	—	(45)	(1)	(43)	(89)	(114)	(203)
	30,273	(51)	67,049	59,813	(124)	156,960	31,692	188,652

The net cash inflow arising on the disposal of subsidiaries other than 港龍置地, which was included as net proceeds from restructuring set out in note 43, amounted to approximately HK$156,960,000.

Note: Directly attributable cost amounting to HK$162,000 was not yet paid up to the year ended 31 December 2010. Amount is included in the other payables of the consolidated statement of financial position.

45. DISPOSALS OF SUBSIDIARIES (Continued)

(b) Year ended 31 December 2009

During the year ended 31 December 2009, the Group disposed of the 100% equity interest in Great Royal International Limited ("Great Royal") at a consideration of HK$272,104,000, which held approximately 67.08% interest in the registered capital of Huzhou Wangang.

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

	HK$'000
Net assets disposed of:	
Property, plant and equipment	773
Amount receivable from sales of properties	334,794
Trade and other receivables	284,280
Bank balances and cash	746
Trade and other payables	(70,292)
Amounts due to non-controlling shareholders of subsidiaries	(1)
Amounts due to related companies	(14,994)
Taxation payable	(9,298)
Bank loan	(135,600)
Deferred tax liabilities	(1,867)
	388,541
Non-controlling interests	(121,861)
	266,680
Directly attributable costs	1,116
Gain on disposal	4,308
	272,104
Satisfied by:	
Cash consideration	272,104
Net cash inflow arising on disposal:	
Cash consideration	272,104
Directly attributable costs	(1,116)
Bank balances and cash disposed of	(746)
	270,242

Notes:

(i) On 24 August 2009, the Company entered into a supplemental agreement ("Supplemental Agreement") with the purchaser of Great Royal ("Purchaser"). Pursuant to the Supplemental Agreement, the Purchaser agreed that the remaining balance of consideration of approximately HK$27,586,000 shall be paid by way of a promissory note together with the interest calculated at an interest rate of 6% per annum. The Purchaser has also executed a share mortgage in respect of the shares of Great Royal in favor of the Company as security for the Purchaser's obligation to pay the balance of approximately HK$27,586,000.

(ii) During the year ended 31 December 2009, an amount of HK$15,138,000 was released from the exchange reserve and transfer to the accumulated profits resulting from such disposal.

46. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had entered into the following significant transactions with the following related parties:

Name of related parties	Nature of transactions	2010 HK$'000	2009 HK$'000
The wholly-owned subsidiaries of the ultimate holding company:			
中國物流公司	Income from operating lease arrangement	420	
中國物資儲運總公司瀋陽虎石台一庫	Income from operating lease arrangement	644	—
嘉成企業發展有限公司	Reimbursement of shared claims expenditure	1,746	—
The intermediate holding company of the Company:			
CCHK	Interest income	—	185
Non-controlling shareholder of a subsidiary:			
大豐市大豐港開發建設有限公司	Interest income	1,033	—
Former non-controlling shareholder of subsidiaries:			
世紀尊博	Interest expense (included in profit or loss)	29	21
	Interest expenses (capitalised in properties under development)	51	38
Former associate:			
CIMPOR Chengtong Cement Corporation Limited	Consultancy and service income	—	90

Balances with related parties at respective end of reporting dates are set out in the consolidated statement of financial position/statement of financial position and notes 20, 27, 33, 34 and 37.

46. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The remunerations of key management personnel, which are the directors during the year were as follows:

	2010 HK$'000	2009 HK$'000
Short-term employee benefits	**4,186**	3,850
Bonus	**750**	—
Post-employment benefits	**135**	75
	5,071	3,925

During the year ended 31 December 2009, the Group has acquired two subsidiaries from CCHG by the issuance of 1,494,528,657 ordinary shares of the Group as set out in note 44(b). After the completion of such acquisition of subsidiaries, CCHG has become the ultimate holding company of the Group since 6 November 2009.

47. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, the Group disposed 100% interest in TDL, CCPGL and Zhongshi with details disclosed of in note 45(a), the consideration of HK$136,160,000 was paid to Zhongshi as settlement of the balance owed by the Group to Zhongshi.

During the year ended 31 December 2009, the Group acquired 100% interest in 誠通實業 and 66.67% interest in 大豐開發 with details disclosed in note 44(b), with a consideration satisfied by the issuance of 1,494,528,657 ordinary shares of the Company at an amount equal to HK$565,862,000 determined by the fair value of net assets acquired as set out in note 44(b).

During the year ended 31 December 2009, certain capital injection by a non-controlling shareholder is transferred through loans from a non-controlling shareholder of subsidiaries of HK$18,468,000.

48. 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 report. Details of the acquisition are set out in the Company's circular to the shareholders dated 29 November 2008.

Principal Properties

AT 31 DECEMBER 2010

A. INVESTMENT PROPERTIES

Location	Group's effective interest	Approximate site area *(sq. m)*	Approximate gross floor area *(sq. m)*	Usage	Category of lease
Land and building situated at No. 77 Qinglong West Road, Tianning District, Changzhou City, Jiangsu Province, the PRC	100%	84,742	26,101	Warehouse and office use	Medium-term lease
Land and buildings situated at No. 10 Kaifeng Road, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	100%	55,412	23,693	Office and industrial use	Medium-term lease
Land and buildings situated at West of railway in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC	100%	247,759	28,866	Industrial and storage use	Medium-term lease

B. PROPERTIES HELD FOR DEVELOPMENT

Location	Group's effective interest	Approximate site area *(sq. m)*	Usage	Category of lease
A piece of land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, the PRC	66.67%	549,600	Industrial	Medium-term lease
Lot No.1, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC	66.67%	84,648	Residential and commercial	Commercial — Medium-term lease Residential — Long lease
South Portion of Lot No.2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC	66.67%	28,956	Residential and commercial	Commercial — Medium-term lease Residential — Long lease
Lot No.3, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC	66.67%	244,248	Residential and commercial	Commercial — Medium-term lease Residential — Long lease

C. PROPERTIES UNDER DEVELOPMENT

Location	Group's effective interest	Approximate site area *(sq. m.)*	Usage	Category of lease	Stage of completion	Expected completion date
North Portion of Lot No.2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, The PRC	66.67%	118,974	Residential and commercial	Commercial — Medium-term lease Residential — Long lease	Section I work in progress	Section I is expected to be completed in year 2011.
A parcel of land designated as No. 01213003 and located on the northern side of Mizhou West Road Eastern Section, Zhucheng City, Shandong Province, the PRC	100%	146,006	Residential	Long lease	Phase I work in progress	Phase I is expected to be completed in year 2011.

Financial Summary

FOR THE YEAR ENDED 31 DECEMBER 2010

A summary of the published results and of the assets and liabilities of the Group for the year ended 31 December 2010 and the last four financial periods, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
RESULTS					
Turnover	**89,996**	5,536	987,954	52,819	291,414
Profits attributable to owners of the Company	**87,890**	61,982	5,778	35,945	25,795

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	(Restated)
ASSETS AND LIABILITIES					
Property, plant and equipment	**8,047**	8,554	4,338	3,232	1,404
Investment properties	**222,784**	251,256	89,270	83,740	45,000
Interests in associates	**—**	—	50,768	41,599	264
Amount due from associates	**—**	—	117,415	139,874	148,605
Interest in a jointly controlled entity	**—**	—	—	103,881	99,740
Restricted bank balance	**4,200**	4,200	4,200	4,200	4,200
Properties held for development	**291,259**	411,865	270,742	—	—
Properties under development	**318,030**	203,077	—	—	—
Current assets	**870,373**	726,248	627,853	358,763	230,546
Total assets	**1,714,693**	1,605,200	1,164,586	735,289	529,759
Current liabilities	**(132,353)**	(159,678)	(364,565)	(97,156)	(114,925)
Deferred tax liabilities	**(1,907)**	(718)	(6,846)	(4,737)	(3,937)
Total liabilities	**(134,260)**	(160,396)	(371,411)	(101,893)	(118,862)