China Chengtong Development Group Limited

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

Annual Report 2009

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Gu Laiyun
Xu Zhen

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Lei Ching (HKICS, ICSA, FCCA)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK CODE

217

On behalf of the Board of Directors, I am pleased to present to all shareholders the annual report of China Chengtong Development Group Limited together with its subsidiaries (hereinafter "the Group") for the year ended 31 December 2009.

During the year, the Group recorded turnover of approximately HK$5.54 million (2008: approximately HK$988 million); profit after taxation attributable to shareholders of approximately HK$62 million (2008: approximately HK$5.78 million); and earnings per share of approximately HK2.14 cents (2008: approximately HK0.22 cents. Profits derived by the Group during the year mainly came from the disposal of its associated company, Goodwill (Overseas) Limited.

The Group is principally engaged in property development, property investment including land resource exploitation, and strategic investment. The continuous expansion of the scale of all sorts of land resources reserve is an important goal of the Group in the present stage. During the year, the Group completed a sale and purchase agreement which was entered in 2008 with its ultimate holding company and the consideration was settled by the issuance of the Company's shares. As a result of its completion, the area of commercial and residential development land, land for industrial use and land to be zoned for commercial purpose, and gross floor area of buildings of the Group had increased by approximately 476,800 square metres, approximately 937,500 square metres and approximately 77,000 square metres respectively. Up to the date of this report, there is another sale and purchase agreement concerning the acquisition of land entered into between the Group and its ultimate holding company in 2008 still awaiting completion.

During the year, the Group commenced the construction of the commercial and residential projects named "CCT-Champs-Elysees" in Zhucheng City of Shandong Province and "Chengdong International New Town" in Dafeng City of Jiangsu Province. It is expected that the projects will start to contribute revenues and gains to the Group from 2010 or the first half of 2011.

The Group attaches great importance to corporate governance. During the year, with an ever commitment to improving the communication channel between the management and the Board of Directors as well as the risk control framework among the Board of Directors, the Audit Committee and Executive Committee in monitoring all practices and financial capital management of the Company, the Group effectively managed to circumvent risks.

Looking forward into 2010, the Group will quicken the development of existing commercial and residential projects to align with the State's policies to speed up urbanization and facilitate town development. In light of a more tight land policy adopted by the State, the Group will launch other land development and construction projects with reference to specific market conditions, and make opportune move to drive premiums. Leveraging on its healthy financial status, the Group will also strengthen its acquisition and investment of different land resources and identify opportunities to invest strategically. The Board of Directors is fully confident in the prospects of the Group.

I would like to take this opportunity to express my sincere gratitude to all shareholders and the community for their support and care to the Group. I would also like to thank all of our employees for their dedication throughout the year.

Zhang Guotong
Chairman

Hong Kong, 8 March 2010

I. FINANCIAL RESULTS

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

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

II. BUSINESS REVIEW

The year of 2009 witnessed a remarkable achievement in the Group's asset restructuring. During the year under review, the Group disposed of CIMPOR Chengtong Cement Corporation Limited ("CIMPOR Chengtong") and Goodwill, associates of the Group. Furthermore, the Group also disposed of Great Royal International Limited ("Great Royal") and Merry World Associates Limited ("Merry World"), both being its subsidiaries. Such disposals not only presented the Group a good opportunity for asset realization, but also enabled the Group to devote resources to its principal businesses and invest in business opportunities with higher return, so as to boost the growth of the Group in the future.

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

1. Property Development

(1) Zhucheng of Shandong Province

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

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

In February 2010, the Group entered into a sale and purchase agreement with the minority shareholder of three joint ventures ("minority shareholder"), pursuant to which the Group agreed to acquire 20% equity interest in Zhucheng Phoenix and Zhucheng Prosperity at a consideration of approximately RMB16.60 million from the minority shareholder and the minority shareholder agreed to acquire 80% equity interest in Zhucheng Dragon from the Group at a consideration of approximately RMB27.9 million. In addition to the consideration for the transfer of equity interest in the joint ventures, the net amount payable by the minority shareholder to the Group as a result of restructuring the debts owing by Zhucheng Dragon to the Group and the debts owing by Zhucheng Phoenix and Zhucheng Prosperity to the minority shareholder shall be approximately RMB6.9 million. Upon completion of such transaction, the Group will own 100% equity interest in both Zhucheng Phoenix and Zhucheng Prosperity, and the minority shareholder will hold 100% equity interest in Zhucheng Dragon. Such shareholding restructuring could enable the Group to concentrate its resources and expedite the development of the land owned by Zhucheng Phoenix and Zhucheng Prosperity.

(2) *Dafeng of Jiangsu Province*

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

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

(3) *Beijing*

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

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

(4) *Huzhou of Zhejiang Province*

The principal asset of Great Royal, a wholly-owned subsidiary of the Group, is its approximately 67.08% equity interest in 湖州萬港聯合置業有限公司 (Huzhou Wangang United Estate Company Limited) ("Huzhou Wangang"). The only property development project of Huzhou Wangang (Qing He Jiayuan) had been completed and delivered to the buyer in 2008. In May 2009, the Group entered into a sale and purchase agreement with an independent third party for disposal of 100% interest in Great Royal. The disposal, which had been completed, resulted in a gain of approximately HK$4.31 million for the Group.

2. Property Investment

(1) *Shanghai*

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

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

(2) Guangzhou

The Group held a retail shop located at Zone C of Level 3 at Li Wan Plaza in Guangzhou of the PRC with an area of approximately 5,366 square metres through Merry World, its wholly-owned subsidiary. It contributed rental income of approximately RMB1,090,000 and RMB1,040,000 for the Group in 2009 and 2008, respectively. Its rental return is low at all times.

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

(3) Land Resources Exploitation

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

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

(i) Changzhou of Jiangsu Province

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

(ii) Shenyang of Liaoning Province

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

(iii) Guilin of Guangxi Province

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

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

(II) Luoyang of Henan Province

The Group acquired a parcel of land located in Luoyang, Henan Province, the PRC, together with the warehouse complex erected thereon, with a site area of approximately 74,452 square metres in 2007 from CCHG. The parcel of land has been zoned into commercial development area and its potential value has been improved significantly. The Group has an intention to change its use from industrial purpose to commercial purpose or realize its value at appropriate time, subject to investment returns, future market conditions as well as relevant laws and regulations.

3. Strategic Investment

Cement business

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

III. OUTLOOK

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

At present, the Group had a land bank with an aggregate site area of 796,000 square metres available for commercial/residential use, and land resources with an aggregate site area of 1,012,000 square metres available for other uses. In 2010, the Group will continue to develop the existing projects and lands, including various land developments in Zhucheng, Shandong Province and Dafeng, Jiangsu Province. Besides that, it will keep striving to fulfil certain conditions precedent under the transaction in relation to the acquisition of 100% interest in 連雲港中儲物流有限公司(「連雲港物流」) from CCHG, its ultimate holding company, including obtaining relevant necessary approvals, consents and authorizations from the PRC government as soon as possible. Such transaction, upon completion, would add approximately 360,000 square metres to the land bank of the Group.

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

GEARING RATIO

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

LIQUIDITY AND CAPITAL RESOURCES

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

At 31 December 2009, the Group had cash and bank balances amounting to approximately HK$621.85 million (31 December 2008: approximately HK$99.79 million), and current assets and current liabilities of approximately HK$1,341.19 million and HK$159.68 million respectively (31 December 2008: approximately HK$898.6 million and HK$364.57 million respectively). Out of the cash and bank balances of approximately HK$621.85 million at 31 December 2009, a sum of HK$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

At 31 December 2009, the Group's bank borrowings amounted to approximately HK$45.6 million which was secured and repayable within one year with interest at commercial rate. The amounts due to minority shareholders of subsidiaries of approximately HK$3.98 million were unsecured, interest-free and repayable on demand. The loans from a minority shareholder of subsidiaries of approximately HK$17.97 million were unsecured, interest bearing at 5.31% per annum and is due for repayment on demand within 3 years from the date the Group obtained the certificate of the land use right for the properties held for development and property under development. The other loans from third parties of approximately HK$3.26 million were unsecured, repayable on demand and interest-free, except for a loan of HK$2.1 million which carried interest at fixed interest rate. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES AND EMOLUMENT POLICY

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

PLEDGE OF ASSET

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

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

COMMITMENTS

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

In October 2008, the Group has entered into a sale and purchase agreement to acquire 100% interest in 連雲港物流 at a consideration of approximately RMB181,000,000 (subject to adjustment) from CCHG. 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.

OTHER

At 31 December 2009, the court restricted the rights to transfer the Group's certain properties held for sale and equity interest in a subsidiary. Details of the restrictions are set out in Note 33(e) of notes to the consolidated financial statements.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

Mr. Zhang Guotong

Aged 46, is the Chairman of the Board of the Company. 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 director of the Department of Policy Studies of Ministry of Material Supply of the PRC, director of Department of Legislation on Structural Reform of Ministry of Domestic Trade of the PRC, president of China Logistics Company in Mainland China, general manager of China National Materials Development & Investment Corporation, director of China Chengtong Holdings Group Limited and deputy chairman of Create Technology & Science Company Limited whose shares are listed on the Shenzhen Stock Exchange. Mr. Zhang has extensive experience in macro decision-making, corporate governance, investment and business administration. Mr. Zhang is also the director of several subsidiaries of the Company and a director of China Chengtong Hong Kong Company Limited ("CCHK").

Mr. Wang Hongxin

Aged 46, is 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 Tian Lin

Aged 37, is an executive Director and a Deputy General Manager of the Company, the general manager of the Company's major subsidiaries Zhongshi Investment Company Limited ("Zhongshi Investment") and Chengtong Industrial Investment Limited, 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 MBA 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 45, is a non-executive Director of the Company. 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 China Chengtong Holdings Group Limited ("CCHG").

Mr. Gu Laiyun

Aged 46, is a non-executive Director of the Company. 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 and he is the assistant to president of CCHG.

Mr. Tsui Yiu Wa, Alec

Aged 60, is an independent non-executive Director of the Company. Mr. Tsui joined the Group in March 2003. He is the Chairman of WAG Worldsec Corporate Finance Limited and Vice-chairman of China Mergers and Acquisitions Association. 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 Industrial and Commercial Bank of China (Asia) Limited, China Power International Development Limited, COSCO International Holdings Limited, China BlueChemical Limited, Greentown China Holdings Limited, China Hui Yuan Juice Group Limited, Melco Crown Entertainment Limited, Pacific Online Limited, ATA Inc. and China Oilfield Services Limited. He is also a director of Hong Kong Professional Consultants Association Limited. He is an independent director of AIG Huatai Fund Management Company 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 60, is an independent non-executive Director of the Company. 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, namely COSCO International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services 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 1616 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.

Mr. Lao Youan

Aged 45, is an independent non-executive Director of the Company. Mr. Lao joined the Group in April 2002. Mr. Lao graduated from Sun Yat-sen University in 1985 and holds a bachelor degree in economics. He has many years of experience in the fields of investment, trading and finance in Hong Kong. He has held senior management positions in various large enterprises. He serves as financial controller of Guangdong Panyu Bridge Co., Ltd. and has extensive experiences in corporate management, project investment and financial management.

Mr. Ba Shusong

Aged 40, is an independent non-executive Director of the Company. 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 doctorate 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 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 Da An Gene Co., Ltd. of Sun Yat-Sen University and Guoyuan Securities Co., Ltd. (both company are listed on the Shenzhen Stock Exchange), an independent non-executive director of Industrial Bank Co., Ltd. (a company listed on Shanghai Stock Exchange), and an independent director of Guosen Securities Co., Ltd.. In addition, he serves in a number of government committees and certain non-government organizations committees.

SENIOR MANAGEMENT

Mr. Luo Sanhong

Aged 45, is the deputy general manager of the Group (Property Development Sector) and the director of several major subsidiaries of the Company. Mr. Luo joined the Group in June 2009. He holds a bachelor degree from Chongqing University. Before joining the Group, Mr. Luo worked with Neo-China Land Group (Holdings) Limited (whose shares are listed on the Hong Kong Stock Exchange) as the general manager of Shanghai region and the general manager of Beijing region respectively. Previously, Mr. Luo served as an engineer in China Architecture Design & Research Group for more than eighteen years. Mr. Luo holds a Senior Engineer qualification and has substantial experiences in architecture design and property development.

Ms. Chan Yuet Kwai

Aged 46, 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 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.

Mr. Bao Shiyu

Aged 38, is the chief architect of the Group. Mr. Bao joined the Group in October 2009. He holds a master degree in Architectural Design and a bachelor degree in Architectural Engineering both from Inner Mongolia University of Technology. Before joining the Group, Mr. Bao had served as a design manager in China Enfi Engineering Corporation and as an architect in Inner Mongolia Institute of Architectural Design. Mr. Bao has over fifteen years experiences in architectural engineering and design.

Mr. Zhang Yongqing

Aged 36, is the assistant to Managing Director and the Head of Risk Management Department of the Group, he is also a director of several subsidiaries of the Company. Mr. Zhang joined the Group in February 2007 and he graduated from Tongji University with a master degree in business administration. Mr. Zhang previously worked as secretary to the board for Hisense Limited, a large enterprise principally engaged in electronics and informational technology in the PRC. He had also served as a director of Anhui Sun Create Electronic Company Limited whose shares are listed on Shanghai Stock Exchange. Mr. Zhang is well experienced in strategic research, project investment, corporate management and risk control management.

Ms. Sun Jie

Aged 39, is the head of financial management centre of the Group and also a director of several subsidiaries of the Company. Ms. Sun joined Zhongshi Investment as financial controller in June 2003 and she is a certified public accountant in the PRC. Ms. Sun holds a master degree in accounting from Renmin University of China and she also holds a bachelor degree in economics. Ms. Sun has rich experiences in financial management, accounting, auditing and strategic analysis. Ms. Sun is also working for CCHK.

Mr. Li Yun

Aged 41, is a deputy general manager of Zhongshi Investment, the general manager and a director of several subsidiaries of the Company regarding Zhucheng project, and other subsidiaries of the Company. Mr. Li joined the Group in April 2005. He holds a bachelor degree in administrative management from York University, Toronto, a bachelor degree in heating engineering from Tianjin University, and he is now pursuing a master degree in real estate economics from Renmin University of China. Before joining the Group, Mr. Li was previously a deputy general manager of Beijing Jing Hua Du Real Estate Company, and had worked for Beijing Jiulong Real Estate Company and Tianjin Changcheng Real Estate Company. Mr. Li has over 18 years experiences in property development.

Mr. Yang Xiaozhong

Aged 41, is the general manager and a director of Chengtong Dafeng Harbour Development Limited and a director of Chengtong Dafeng Harbour Construction Limited, the subsidiaries of the Company. Mr. Yang joined the Group in January 2005. He obtained a double degree in Mechanical Engineering and Business Management from Tsinghua University, and he also holds a master degree in Accountancy from Capital University of Economics and Business. Before joining the Group, Mr. Yang had served as the manager of accounting department and the financial investment department of China National Materials Development & Investment Corporation, and served as a financial controller of China Logistics Company. Mr. Yang has over 18 years experiences in business and financial management.

Mr. Zeng Xiangzhan

Aged 29, is the general manager of the Capital Operation Centre of the Company and the director of several subsidiaries of the Company. Mr. Zeng joined the Group in July 2005. He graduated from the Guanghua School of Management of Peking University with a bachelor degree in Economics and obtained his master degree in Finance from the China Center for Economics Research of Peking University in 2008. After joining the Group, Mr. Zeng participates and is responsible for a number of projects of the Group in asset restructuring, equity investment, market financing and others. He has well and practical experience in corporate finance, mergers and acquisitions and project management. Mr. Zeng had worked for the investment banking department of Guangdong Securities Co. Limited and the financial investment department of China National Materials Development & Investment Corporation.

COMPANY SECRETARY

Ms. Lei Ching

Ms. Lei is the Company Secretary of the Company. Ms. Lei joined the Group in June 2008. Ms. Lei is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries, she is also a fellow member of the Association of Chartered Certified Accountants. Ms. Lei holds a bachelor degree in Business Studies from the Hong Kong Polytechnic University. Before joining the Group, Ms. Lei had worked for several listed companies in Hong Kong as head of company secretarial department and PricewaterhouseCoopers. She has over ten years of experience in auditing, accounting, company secretarial practices and compliance matters.

The Board of Directors ("the Board") is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2009.

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 of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and actively applies the principles of the Code.

The Code sets out the principles of good corporate governance ("Principles") and two levels of corporate governance practices:

(a) Code Provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

The Company has complied with all the Code Provisions throughout the accounting period for the year ended 31 December 2009 except for the following deviation:

— With respect to Code Provision A.4.1, the non-executive Directors shall be appointed for a specific term and subject to re-election. Before 29 June 2009, none of the non-executive Directors of the Company is appointed for a specific term. However, on 29 June 2009, each of the non-executive Directors of the Company signed a service contract with the Company for a term of one year (or to the date of the Company's annual general meeting in year 2010, whichever is earlier). In addition, all Directors of the Company are subject to the provisions of retirement by rotation and re-election under the Company's articles of association (the "Articles of Association"). Pursuant to the Articles of Association of the Company, at every annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation and offer themselves for re-election at least once every three years.

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 summarized 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, subject to compliance with regulations and in the interests of all of the Company's shareholders ("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 Director 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.

The Board currently comprises nine members, consisting of three executive directors, two non-executive directors and four independent non-executive directors.

The Board of the Company comprises the following directors:

Executive Directors

ZHANG Guotong	*(Chairman, Chairman of 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)*
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)*
LAO Youan	*(member of Audit Committee, member of Remuneration 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 2009, 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 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 ensure independence of 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 under the Board, all independent non-executive Directors make positive contributions to the orderly management and effective operation of the Group.

Appointment Planning of Directors

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

In accordance with the Company's 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.

Code Provision A.4.1 of Appendix 14 to the Listing Rules requires that non-executive Directors should be appointed for a specific term and should be subject to re-election. With respect to Code Provision A.4.1, before 29 June 2009, none of the non-executive Directors of the Company is appointed for a specific term. However, on 29 June 2009, each of the non-executive Directors of the Company signed a service contract with the Company for a term of one year (or to the date of the Company's annual general meeting in year 2010, whichever is earlier). In addition, pursuant to the Articles of Association of the Company, at every annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and offer themselves for re-election at least once every three years.

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 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.

During the year, the Nomination Committee recommended the Board to appoint Mr. Wang Tianlin, the deputy general manager of the Company, as the executive Director. Pursuant to the relevant provisions of the Articles of Association of the Company, Mr. Wang Tianlin will retire and being eligible, offer himself for re-election at the annual general meeting ("AGM") to be held in due course in 2010.

In accordance with the relevant provisions of the Company's Articles of Association, Mr. Wang Hongxin, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming AGM of the Company to be held in due course.

The Board unanimously recommended the re-appointment of the Directors standing for re-election at the forthcoming AGM of the Company.

The Company will include detailed information of the Directors standing for re-election in the circular in relation to the forthcoming AGM.

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 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 2009, five Board meetings were held and four of which were regular Board meetings.

The individual attendance record of each Director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2009 is set out below:

	Attendance/Number of Meetings		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
ZHANG Guotong	5/5	Not applicable	1/1
WANG Hongxin	5/5	Not applicable	Not applicable
WANG Tianlin*	1/5	Not applicable	Not applicable
XU Zhen	4/5	2/3	Not applicable
GU Laiyun	4/5	Not applicable	Not applicable
KWONG Che Keung, Gordon	4/5	3/3	1/1
TSUI Yiu Wa, Alec	5/5	3/3	1/1
LAO Youan	5/5	3/3	1/1
BA Shusong	5/5	3/3	Not applicable

* Mr. Wang Tianlin was appointed as executive Director on 1 September 2009.

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. Directors also have separate and independent access to the senior management whenever necessary.

The Company Secretary assists the Chairman in preparing 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. After the meeting, the Company Secretary also prepares detailed minutes. 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 finalized minutes approved by Directors who attended the meeting.

Should a matter being considered involve a conflict of interest, the Director concerned will abstain from voting as required. Directors with no 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 to the Board 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 responsible for overseeing different aspect of the Company's affairs. 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, namely, Mr. Zhang Guotong, Mr. Wang Hongxin and Mr. Wang Tianlin. 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 four independent non-executive Directors and one non-executive Director, namely, Mr. Kwong Che Keung, Gordon (Chairman of the Audit Committee), Mr. Tsui Yiu Wa, Alec, Mr. Lao Youan, Mr. Ba Shusong and Ms. Xu Zhen. Mr. Kwong Che Keung, Gordon is 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 held three meetings during the year ended 31 December 2009 to review the financial results and reports, capital management system, internal risk control system and the re-appointment of the external auditor.

During the year, 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.

During the year, the Company's interim results for the six months ended 30 June 2009 and annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three 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, Mr. Lao Youan and Mr. Zhang Guotong. The primary objectives of the Remuneration Committee include making recommendations on and approving 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 meet once during the year ended 31 December 2009 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 three independent non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Lao Youan. 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. During the year, the Nomination Committee has nominated Mr. Wang Tianlin as Executive Director for the Board's consideration.

MODEL CODE FOR SECURITIES TRANSACTIONS

In the year ended 31 December 2009, 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 2009.

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 of the Company 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 2009.

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 23.

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 2009 amounted to HK$800,000 and HK$834,000 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	800
Review on interim results	180
Other non-audit services	654 *(Note)*
Total	1,634

Note: mainly include approximately HK$450,000 (professional fees in relation to the preparation of financial information for very substantial disposal conducted by the Group during the year).

INTERNAL CONTROLS

The Group 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 financial 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 2009. 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

To comply with the updated Listing Rules, the poll results of all general meetings of the Company 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.

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.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in property development, property investment including land resources exploitation, and strategic investment. Details of the principal activities of the Company's principal subsidiaries are set out in note 18 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 24.

The Board does not recommend the payment of dividend for the year ended 31 December 2009.

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 40 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 OF THE COMPANY

As at 31 December 2009, the Company had no distributable reserve, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the five largest customers represented 77.0% of the Group's total turnover. Sales to the largest customer included therein amounted to 21.3%.

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 64.2% of the Group's total purchases. Purchases from the largest supplier amounted to 27.5% of the Group's total purchases.

None of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the Company's 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 2009.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Mr. ZHANG Guotong	*(Executive Director)*
Mr. WANG Hongxin	*(Executive Director)*
Mr. WANG Tianlin	*(Executive Director, appointed on 1 September 2009)*
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)*
Mr. BA Shusong	*(Independent Non-executive Director)*

Particulars of the existing directors are set out on pages 9 to 10.

In accordance with the relevant provisions of the Company's Articles of Association, Mr. Wang Hongxin, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Wang Tianlin will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming AGM to be held by the Company.

The Company has received from each Independent Non-Executive Director an annual confirmation of his independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than 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 of the Company 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 at 31 December 2009, directors and chief executives of the Company who had any interests in the shares, underlying shares and debentures of the Company and any of its associated corporations 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 for Securities Transactions by Directors of Listed Companies (the "Model Code"), 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%

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the general meeting of the Company held on 24 June 2003, a share option scheme was adopted by the Company. Details are set out in note 41 to the consolidated financial statements.

				Number of shares			
	Date of grant	Exercisable period	Exercise price per share HK$ *(Note 1)*	At 1 January 2009 *(Note 1)*	Exercised during the year *(Note 2)*	Lapsed during the year	Outstanding at 31 December 2009
Other employees							
In aggregate	8.3.2004	9.3.2005 to 8.3.2008	0.3012	—	—	—	—
		9.3.2006 to 8.3.2009	0.3012	125,196	—	(125,196)	—
Total				125,196	—	(125,196)	—

Notes:

1. The Rights Issue of the Company was completed on 12 April 2007. The exercise price and number of shares that can be subscribed for under the Scheme have already been adjusted upon the completion of the Rights Issue.

2. The options granted on 8 March 2004 have vesting period as 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.

All the interests stated above represent long positions. As at 31 December 2009, no short position was recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance (the "SFO").

Save as disclosed above, as at 31 December 2009, none of the directors or chief executive or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company 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 2009, 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 shares/ underlying 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 (L) *(Note 3)*	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.

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 under the SFO.

3. These Shares represent the Consideration Shares* which may be allotted and issued to CCHK, a substantial shareholder, upon completion of the Second SP Agreement* (assuming the consideration to be payable by the Company under the Second SP Agreement is adjusted to its maximum extent).

   * As defined in the circular of the Company dated 29 November 2008.

CONNECTED TRANSACTION

In October 2008, the Company entered into agreements with CCHK which is a substantial shareholder of the Company, and CCHG, the controlling shareholder of CCHK, for the acquisition of 100% interest in 誠通實業投資有限公司, 66.67% interest in 誠通大豐海港開發有限公司 and 100% interest in 連雲港中儲物流有限公司 at a consideration of approximately RMB268,000,000 (subject to adjustment), RMB201,000,000 (subject to adjustment) and RMB181,000,000 (subject to adjustment) respectively. On 6 November 2009, the Company completed the acquisition of 100% interest in 誠通實業投資有限公司 and 66.67% interest in 誠通大豐海港開發有限公司 at an aggregate consideration of RMB460,089,900 and allotted and issued 1,494,528,657 consideration shares to the substantial shareholder. The agreement in relation to acquisition of 100% interest in 連雲港中儲物流有限公司 has not yet completed on the date of this report. Details of the acquisitions are set out in the Company's circular to the shareholders dated 29 November 2008.

SUFFICIENCY OF PUBLIC FLOAT

According to publicly available information to the Company and to the best knowledge of the directors, the Company has maintained a sufficiency public float throughout the year ended 31 December 2009.

SUMMARY FINANCIAL INFORMATION

A summary of the Group's results and its assets and liabilities for the year ended 31 December 2009 and the past four financial years is set out on page 88.

CORPORATE GOVERNANCE

The Group is committed to maintaining a good corporate governance. Details of the corporate governance of the Group are set out in the Corporate Governance Report on pages 12 to 18 of the annual report.

AUDITOR

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

On behalf of the Board

ZHANG GUOTONG
CHAIRMAN

Hong Kong, 8 March 2010

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 24 to 84, which comprise the consolidated and the Company's statements of financial position as at 31 December 2009, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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 Group's preparation and true and fair presentation of the consolidated financial statements 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 Group'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 2009 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 2010

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover	7	**5,536**	987,954
Cost of sales		**(14,033)**	(881,029)
Gross (loss) profit		**(8,497)**	106,925
Other income	8	**2,994**	4,680
Selling expenses		**(47)**	(236)
Administrative expenses		**(28,799)**	(42,242)
Loss on change in fair value of an investment property	17	**(11,400)**	—
Gain on change in fair value of held-for-trading securities		**7,861**	1,994
Gain on disposal of a subsidiary	45	**4,308**	12
Gain on disposals of associates	19	**103,751**	—
Net provisions for claims	33	**(19,162)**	(4,487)
Finance costs	9	**(1,611)**	(829)
Share of result of an associate	19	**6,102**	4,188
Share of result of a jointly controlled entity	20	**—**	(668)
Profit before taxation		**55,500**	69,337
Taxation credit (charge)	10	**4,156**	(27,074)
Profit for the year	11	**59,656**	42,263
Profit for the year attributable to:			
Owners of the Company		**61,982**	5,778
Minority interests		**(2,326)**	36,485
		59,656	42,263
Earnings per share	14		
— Basic		**HK2.14 cents**	HK0.22 cents
— Diluted		**HK2.14 cents**	HK0.22 cents

Consolidated Statement Of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	**2009** **HK$'000**	2008 HK$'000
Profit for the year	11	**59,656**	42,263
Other comprehensive income			
Exchange differences arising during the year		**1,455**	21,763
Total comprehensive income and expense for the year		**61,111**	64,026
Total comprehensive income and expense attributable to:			
Owners of the Company		**63,380**	28,565
Minority interests		**(2,269)**	35,461
		61,111	64,026

Consolidated Statement Of Financial Position

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**8,554**	4,338
Investment properties	17	**251,256**	89,270
Interests in associates	19	—	50,768
Amount due from an associate	19	—	117,415
Interest in a jointly controlled entity	20	—	—
Restricted bank balance	22	**4,200**	4,200
		264,010	265,991
Current assets			
Properties held for sale	23	**11,852**	25,259
Properties held for development	24	**411,865**	270,742
Properties under development	25	**203,077**	—
Claim recoverable	33	**9,765**	—
Amount receivable from sale of properties	26	—	376,654
Trade and other receivables	27	**6,564**	130,278
Amount due from a minority shareholder of a subsidiary	28	**23,978**	—
Amount due from an intermediate holding company	28	**1,742**	—
Amounts due from associates	19	—	72
Held-for-trading securities	29	**14,443**	—
Bank balances and cash	30	**617,649**	95,590
		1,300,935	898,595
Assets classified as held for sale	31	**40,255**	—
		1,341,190	898,595
Current liabilities			
Trade and other payables	32	**37,454**	119,527
Provisions for claims	33	**29,923**	4,487
Deposits received on sale of properties		**7,245**	10,553
Deposit received from disposal of assets held for sale	31	**3,407**	—
Amounts due to related companies	34	**361**	354
Amounts due to minority shareholders of subsidiaries	35	**3,978**	3,979
Amount due to a substantial shareholder	35	—	5,752
Tax payable		**3,319**	15,620
Secured bank loans	36	**45,600**	164,980
Unsecured other loans	37	**3,260**	3,260
Loans from a minority shareholder of subsidiaries	38	**17,965**	36,053
		152,512	364,565
Liabilities associated with assets classified as held for sale	31	**7,166**	—
		159,678	364,565
Net current assets		**1,181,512**	534,030
Total assets less current liabilities		**1,445,522**	800,021

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Deferred tax liabilities	39	**718**	6,846
Net assets		**1,444,804**	793,175
Capital and reserves			
Share capital	40	**417,344**	267,891
Share premium and reserves		**875,457**	395,668
Equity attributable to owners of the Company		**1,292,801**	663,559
Minority interests		**152,003**	129,616
Total equity		**1,444,804**	793,175

The consolidated financial statements on pages 24 to 84 were approved and authorised for issue by the Board of Directors on 8 March 2010 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Statement Of Financial Position

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	—	269
Interests in subsidiaries	18	1	1
Amount due from an associate	19	—	517
Amounts due from subsidiaries	21	—	107,010
		1	107,797
Current assets			
Other receivables, prepayments and deposits		1,567	1,414
Amounts due from subsidiaries	21	1,039,994	381,042
Amount due from an intermediate holding company	28	1,742	—
Bank balances and cash		112	1,466
		1,043,415	383,922
Current liabilities			
Other payables		7,212	8,449
Deposit received from disposal of assets held for sale	31	3,407	—
Amounts due to subsidiaries	21	59,591	59,591
		70,210	68,040
Net current assets		973,205	315,882
		973,206	423,679
Capital and reserves			
Share capital	40	417,344	267,891
Share premium and reserves	42	555,862	155,788
		973,206	423,679

DIRECTOR　　　　*DIRECTOR*

	Attributable to owners of the Company									
	Share capital	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Exchange reserve**	**Share options reserve**	**Accumulated profits**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	267,202	212,096	402	2,814	14,560	1,012	135,310	633,396	—	633,396
Profit for the year	—	—	—	—	—	—	5,778	5,778	36,485	42,263
Exchange differences arising on translation	—	—	—	—	22,787	—	—	22,787	(1,024)	21,763
Total comprehensive income for the year	—	—	—	—	22,787	—	5,778	28,565	35,461	64,026
Deemed acquisition of a subsidiary by acquiring additional interest in a jointly controlled entity	—	—	—	—	—	—	—	—	115,625	115,625
Capital contribution from minority interests of newly established subsidiaries	—	—	—	—	—	—	—	—	6,780	6,780
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	—	(28,250)	(28,250)
Share options lapsed	—	—	—	—	—	(31)	31	—	—	—
Issue of shares upon exercise of share options	689	1,869	—	—	—	(960)	—	1,598	—	1,598
At 31 December 2008	267,891	213,965	402	2,814	37,347	21	141,119	663,559	129,616	793,175
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 *(Note 44)*	149,453	416,409	—	—	—	—	—	565,862	126,909	692,771
Release and transfer upon disposal of a subsidiary *(Note 45)*	—	—	—	—	(15,138)	—	15,138	—	—	—
Release and transfer upon disposal of an associate *(Note 19)*	—	—	—	—	(5,889)	—	5,889	—	—	—
Share options lapsed	—	—	—	—	—	(21)	21	—	—	—
Disposal of a subsidiary *(Note 45)*	—	—	—	—	—	—	—	—	(121,861)	(121,861)
Capital contribution from minority 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

Note:

Capital reserve represented the deemed contribution by a substantial shareholder of the Company in 2007 arising from acquisition of a 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.

Consolidated Statement Of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		
Profit before taxation	**55,500**	69,337
Adjustments for:		
Interest income	**(780)**	(2,569)
Interest expense	**1,611**	829
Gain on disposal of a subsidiary	**(4,308)**	(12)
Gain on disposals of associates	**(103,751)**	—
Share of result of an associate	**(6,102)**	(4,188)
Share of result of a jointly controlled entity	**—**	668
Gain on disposal of property, plant and equipment	**(59)**	(67)
Depreciation of property, plant and equipment	**1,258**	1,224
Loss on change in fair value of an investment property	**11,400**	—
Gain on change in fair value of held-for-trading securities	**(2,119)**	—
Net provisions for claims	**19,162**	4,487
Reversal of impairment loss on interests in associates	**(125)**	—
Reversal of allowance for amount due from an associate	**(1,086)**	—
Impairment loss on properties held for sale	**7,789**	—
Allowance for amounts due from related companies	**—**	607
Allowance for other receivables	**—**	506
Reversal of temporary receipts	**—**	(966)
Operating cash flows before working capital changes	**(21,610)**	69,856
(Increase) decrease in properties under development	**(3,576)**	780,196
Increase in property held for development	**(442)**	—
Decrease in properties held for sale	**5,855**	5,828
(Increase) decrease in trade and other receivables	**(160,905)**	77,107
Decrease (increase) in amount receivable from sale of properties	**41,860**	(376,654)
Decrease in bills receivables	**—**	8,758
Increase in held-for-trading securities	**(12,313)**	—
Decrease in trade and other payables	**(11,676)**	(18,363)
Decrease in deposits received on sale of properties	**(3,385)**	(462,750)
Settlement of a claim	**(3,531)**	—
Cash flows (used in) from operations	**(169,723)**	83,978
The People's Republic of China Enterprise Income Tax paid	**(3,032)**	(9,157)
Net cash (used in) from operating activities	**(172,755)**	74,821

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Acquisition of subsidiaries	44	**163,431**	14,693
Capital contribution to a jointly controlled entity		**—**	(5,895)
Disposal of a subsidiary	45	**270,242**	481
Disposals of associates	19	**270,935**	—
Repayment from related companies		**—**	4,407
Proceeds from disposal of property, plant and equipment		**148**	76
Purchases of property, plant and equipment		**(1,752)**	(1,211)
Purchases of properties held for development		**—**	(234,689)
Repayment of amount due from an associate		**8,384**	33,058
Interest received		**780**	2,258
Deposit received from disposal of assets held for sale		**3,407**	—
Fund transfer from strike off of an associate		**—**	264
Net cash from (used in) investing activities		**715,575**	(186,558)
Cash flows from financing activities			
Issue of shares upon exercise of share options		**—**	1,598
Dividend paid to minority shareholders of a subsidiary		**—**	(28,250)
Repayment of loan from a related company		**—**	(17,858)
Repayment to related companies		**(348)**	—
Advance from (repayment to) a minority shareholder of subsidiaries		**14,994**	(2,260)
Repayment of bank loan		**(29,380)**	(53,017)
Interest paid		**(1,506)**	(8,733)
(Repayment of) loan from a substantial shareholder		**(5,762)**	5,650
Capital contribution from a minority shareholder of subsidiaries		**1,140**	6,780
Net cash used in financing activities		**(20,862)**	(96,090)
Net increase (decrease) in cash and cash equivalents		**521,958**	(207,827)
Cash and cash equivalents at beginning of year		**95,590**	298,626
Effect of foreign exchange rate changes		**101**	4,791
Cash and cash equivalents at end of year, representing bank balances and cash		**617,649**	95,590

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 regarding that the ultimate and immediate holding companies as at 31 December 2009 to be China Chengtong Holdings Group Limited ("CCHG") and World Gain Holdings Limited ("World Gain") respectively. The holding companies are established in the People's Republic of China (the "PRC") and 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 18.

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

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

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

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, a jointly controlled entity or an associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — INT 13	Customer loyalty programmes
HK(IFRIC) — INT 15	Agreements for the construction of real estate
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 24 (Revised)	Related party disclosures in relation to the partial exemption in paragraphs 25 to 27 for government-related entities

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

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

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

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

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

HKFRS 8 Operating segments

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

HKAS 24 (Revised) Related party disclosures

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

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

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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 and by the Hong Kong Companies Ordinance.

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 on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is 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 meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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. An impairment loss for goodwill is not reversed in subsequent periods.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities 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 jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are 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.

Leasehold land held for undetermined future use

Leasehold land held for undetermined future use is regarded as held for capital appreciation purpose and classified as an investment property, and carried at fair value. Changes in fair value of the leasehold land are recognised directly in profit or loss for the period in which changes take place.

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.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the item) is included in the profit or loss in the period in which the item is derecognised.

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 mainly comprises leasehold land and without commencement of construction costs. Properties under development comprises leasehold land and certain construction costs.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and associates, and interest in a joint controlled entity, 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.

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.

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's foreign operations 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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, amount receivable from sale of properties, trade and other receivables, amounts due from associates/subsidiaries/ a minority 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).

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.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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.

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/minority shareholders of subsidiaries/a substantial shareholder, secured bank loans, unsecured other loans and loans from a minority 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 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. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income 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 or 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 of the Group's accounting policies, which are described in note 3, the management 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.

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

Provisions for claims

Note 3 describes that 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).

Provisions for claims (see note 33) represent provisions made for the probable obligations in the settlement of the legal claims against a subsidiary of the Company. In the current year, the Group provided HK$19,162,000 which represented net of claim recoverable of HK$9,765,000 (for the year ended 31 December 2008: HK$4,487,000 represented net of claim recoverable of nil) for the respective claims, which are recognised directly through the consolidated income statement.

In making the estimates, the directors of the Company considered the details and progress of all legal claims. In determining whether a provision for claims is required, the directors of the Company will take into consideration for the probability of the payment of the obligations. Specific provision is only made for the amount that is probable. In this regard, the directors of the Company believed that all provisions for claims have been properly made.

Estimated impairment of properties held for sale

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 market value of the properties. Where the estimated market value of the properties is further decreased, a further impairment loss may arise. At 31 December 2009, the carrying amount of properties held for sale is HK$11,852,000 (net of impairment loss of approximately HK$16,072,000) (at 31 December 2008: carrying amount of approximately HK$25,259,000, net of impairment loss of HK$8,283,000).

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 36, 37 and 38, 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	
	2009	2008
	HK$'000	HK$'000
Financial assets		
Held-for-trading securities	14,443	—
Loans and receivables (including cash and cash equivalents)	652,908	722,727
Financial liabilities		
Amortised costs	96,508	234,076

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	999,921	490,952
Financial liabilities		
Amortised costs	60,588	60,544

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include restricted bank balance, amount receivable from sale of properties, trade and other receivables, amounts due from associates/subsidiaries/a minority shareholder of a subsidiary/an intermediate holding company, bank balances, trade and other payables, amounts due to related companies/ minority shareholders of subsidiaries/a substantial shareholder, secured bank loans, unsecured other loans and loans from a minority shareholder of subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management 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.

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 short-term bank deposits, amount due from an associate (non-current), amount due from a minority shareholder of a subsidiary, amount due to a substantial shareholder, secured bank loans and unsecured other loans. The Group currently does not have an interest rate hedging policy. However, the management 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, amount due from a minority shareholder of a subsidiary and amount due from an intermediate holding company. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 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 debt, amount due from a minority shareholder of a subsidiary/an intermediate holding company at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

At 31 December 2008, the Group has significant concentration of credit risk with a major customer for the year, with an amount of balance receivable from sales of properties of approximately HK$376,654,000 (2009: nil) and the Group has an amount of approximately HK$117,487,000 (2009: nil) due from an associate. The management of the Group has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is under control.

At 31 December 2009, the Company also has significant concentration of credit risk which has an amount of approximately HK$1,039,994,000 (2008: HK$488,052,000) due from a few subsidiaries. The management 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 to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

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 minority shareholders of subsidiaries	—	3,978	3,978	3,978
Secured bank loan	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 minority 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)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

At 31 December 2008

	THE GROUP			
	Weighted average interest rate per annum	**Within 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2008**
	%	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	19,698	19,698	19,698
Amounts due to related companies	—	354	354	354
Amounts due to minority shareholders of subsidiaries	—	3,979	3,979	3,979
Amount due to a substantial shareholder	5.000	6,040	6,040	5,752
Secured bank loan	8.316	178,700	178,700	164,980
Unsecured other loan - interest-bearing	20.000	2,520	2,520	2,100
Unsecured other loan - interest-free	—	1,160	1,160	1,160
Loans from a minority shareholder of subsidiaries	—	36,053	36,053	36,053
		248,504	248,504	234,076

	THE COMPANY		
	Weighted average interest rate per annum	**Within 1 year**	**Total undiscounted cash flows and carrying amount at 31.12.2008**
	%	*HK$'000*	*HK$'000*
Other payables	—	953	953
Amounts due to subsidiaries	—	59,591	59,591
		60,544	60,544

Fair values

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

- the fair values 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 values of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair values *(Continued)*

The directors of the Company 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 2009, the listed equity securities and quoted debentures which grouped into Level 1 was amounting to HK$8,348,000 and HK$6,095,000 respectively.

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

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, there is a change in the measure of segment profit or loss, segment assets and segment liabilities upon the adoption of HKFRS 8.

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

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 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

For the year ended 31 December 2008

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

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

The accounting policies of the reportable segments are the same as the Group's accounting policies 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 and a jointly controlled entity, gain on disposal of a subsidiary and associates and gain on change in fair value of held-for-trading securities. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2009	2008
	HK$'000	*HK$'000*
Segment assets		
Property investment	**625,913**	96,398
Property development	**737,403**	815,294
Total segment assets	**1,363,316**	911,692
Interests in associates	**—**	50,768
Amounts due from associates	**—**	117,487
Unallocated	**201,629**	84,639
Assets classified as held for sale	**40,255**	—
Consolidated assets	**1,605,200**	1,164,586
Segment liabilities		
Property investment	**1,825**	12,432
Property development	**117,860**	325,697
Total segment liabilities	**119,685**	338,129
Unallocated	**33,545**	33,282
Liabilities associated with assets classified as held for sale	**7,166**	—
Consolidated liabilities	**160,396**	371,411

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, trade and other receivables and bank balances and cash of head office and the inactive subsidiaries, interests in associates and amounts due from associates; 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 minority shareholders of subsidiaries and unsecured other loans.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2009

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

	Property investment 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

For the year ended 31 December 2008

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	—	2,181	24	2,205
Gain on disposal of property, plant and equipment	—	67	—	67
Depreciation	280	568	376	1,224
Allowance for other receivables	501	—	5	506
Net provisions for claims	—	4,487	—	4,487

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

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

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

Notes:

1. Revenue from property investment

2. Revenue from property development

8. OTHER INCOME

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

9. FINANCE COSTS

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

Note:

The amount for the year ended 31 December 2009, represents the borrowing costs that directly attributable to the properties under development (see note 25).

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

10. TAXATION (CREDIT) CHARGE

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

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

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

10. TAXATION (CREDIT) CHARGE *(Continued)*

	2009 HK$'000	2008 HK$'000
The taxation (credit) charge comprises:		
Current tax:		
PRC Enterprise Income Tax	—	25,626
Overprovision in prior years:		
PRC	—	(317)
	—	25,309
Deferred taxation *(note 39)*		
— Current year (credit) charge	**(4,156)**	1,765
Taxation (credit) charge for the year	**(4,156)**	27,074

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

	2009 HK$'000	2008 HK$'000
Profit before taxation	**55,500**	69,337
Domestic tax at the PRC EIT rate of 25% (2008: 25%)	**13,875**	17,334
Tax effect of share of results of an associate and a jointly controlled entity	**(1,526)**	(880)
Tax effect of expenses not deductible for tax purposes	**5,756**	4,250
Tax effect of income not taxable for tax purposes	**(28,999)**	(3,041)
Tax effect of tax losses not recognised	**3,034**	6,033
Tax effect of temporary differences not recognised	**5,497**	2,336
Utilisation of tax losses previously not recognised	**(636)**	—
Utilisation of temporary differences previously not recognised	**(1,157)**	(406)
Withholding tax for undistributed profits of investments in the PRC	—	1,765
Overprovision in prior years	—	(317)
Taxation (credit) charge	**(4,156)**	27,074

The domestic tax rate is 25% (2008: 25%) during the current year as the major profit making units of the Group are situated at locations where 25% (2008: 25%) is the domestic tax rate.

11. PROFIT FOR THE YEAR

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

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2008: 10) directors were as follows:

For the year ended 31 December 2009

	Zhang Guotong *HK'000*	Wang Hongxin *HK$'000*	Xu Zhen *HK$'000*	Gu Laiyun *HK$'000*	Kwong Chekeung *HK$'000*	Tsui Yiuwa *HK$'000*	Lao Youan *HK$'000*	Ba Shusong *HK$'000*	Wang Tianlin (appointed on 1.9.2009) *HK$'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

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2008

	Zhang Guotong *HK'000*	Wang Hongxin *HK$'000*	Xu Zhen *HK$'000*	Gu Laiyun *HK$'000*	Kwong Chekeung *HK$'000*	Tsui Yiuwa *HK$'000*	Lao Youan *HK$'000*	Ba Shusong *HK$'000*	Ma Zhengwu (resigned on 10.4.2008) *HK$'000*	Hong Shuikun (resigned on 10.4.2008) *HK$'000*	Total 2008 *HK$'000*
Fees	326	240	240	240	360	360	240	100	240	67	2,413
Salaries	838	549	—	—	—	—	—	—	—	—	1,387
Performance-based bonus *(Note)*	554	610	—	—	—	—	—	—	—	—	1,164
Contributions to retirement benefits schemes	50	33	—	—	—	—	—	—	—	—	83
Total emoluments	1,768	1,432	240	240	360	360	240	100	240	67	5,047

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, two (2008: two) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining three (2008: three) individuals were as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Salaries and other benefits	**2,021**	1,568
Performance-based bonus	**—**	496
Contributions to retirement benefits schemes	**97**	104
	2,118	2,168

Emoluments of each of the 3 (2008: 3) highest paid individuals were within the following band:

	2009 Number of employees	2008 Number of employees
Nil to HK$1,000,000	**3**	3

During the years ended 31 December 2009 and 2008, no remunerations were paid by the Group to the directors or the 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

No dividend was paid or proposed during the year ended 31 December 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

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:

	2009	2008
	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	**61,982**	5,778

	Number of shares	
	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,901,318,091**	2,676,848,753
Effect of dilutive potential ordinary shares in respect of share options	**4,189**	1,695,652
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,901,322,280**	2,678,544,405

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% (2008: 20% to 21%) 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 2009, contributions totalling of HK$848,000 (2008: HK$566,000) 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 2008	14,127	2,054	—	16,181
Currency realignment	134	73	—	207
Acquired on acquisition of a subsidiary	167	827	—	994
Additions	125	1,086	—	1,211
Disposals	(1,639)	—	—	(1,639)
At 31 December 2008	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
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2008	11,792	1,157	—	12,949
Currency realignment	47	26	—	73
Provided for the year	896	328	—	1,224
Eliminated on disposals	(1,630)	—	—	(1,630)
At 31 December 2008	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
CARRYING AMOUNTS				
At 31 December 2009	1,732	3,725	3,097	8,554
At 31 December 2008	1,809	2,529	—	4,338

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

THE COMPANY

	Furniture and equipment *HK$'000*
COST	
At 1 January 2008, 31 December 2008 and 31 December 2009	963
ACCUMULATED DEPRECIATION	
At 1 January 2008	373
Provided for the year	321
At 31 December 2008	694
Provided for the year	269
At 31 December 2009	963
CARRYING AMOUNTS	
At 31 December 2009	—
At 31 December 2008	269

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

	2009 ***HK$'000***	2008 *HK$'000*
FAIR VALUE		
At 1 January	**89,270**	83,740
Currency realignment	**790**	5,530
Additions	**—**	—
Acquired on an acquisition of a subsidiary *(Note 1)*	**212,496**	—
Loss on change in fair value recognised in profit or loss	**(11,400)**	—
Reclassified as held for sale *(Note 2)*	**(39,900)**	—
At 31 December	**251,256**	89,270

17. INVESTMENT PROPERTIES *(Continued)*

Notes:

(1) During the year ended 31 December 2009, the Group acquired investment properties whose fair value amounted to HK$212,496,000 as at 6 November 2009 through acquisition of 100% equity interest in a property holding company, 誠通實業 (see note 44).

(2) 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 31).

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 2009 and 2008 and of the investment properties acquired as at 6 November 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. INTERESTS IN SUBSIDIARIES

THE COMPANY

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	1,001	1,001
Less: Impairment loss	(1,000)	(1,000)
	1	1

Particulars of the principal subsidiaries at 31 December 2009 and 2008 are as follows:

Company	Place of incorporation/ operations	Total paid-up and issued ordinary share/registered capital 2009	2008	Equity interest owned by the Group 2009 %	2008 %	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	BVI/PRC	1 ordinary share of US$1	1 ordinary share of US$1	100	100	Property investment

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ operations	Total paid-up and issued ordinary share/registered capital 2009	2008	Equity interest owned by the Group 2009 %	2008 %	Principal activities
Indirectly held:						
Boxhill Limited	BVI/Hong Kong	1 ordinary share of US$1	1 ordinary share of US$1	100	100	Investment holding
China Chengtong Properties Group Limited	Hong Kong	10,000 ordinary shares of HK$1 each	10,000 ordinary shares of HK$1 each	100	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	RMB100,000,000	RMB100,000,000	100	100	Property development
洛陽城南***(Note)*	PRC	RMB26,680,000	RMB26,680,000	100	100	Property investment
湖州萬港聯合置業有限公司 Huzhou Wangang United Estate Company Limited (Huzhou Wangang)**	PRC	N/A	RMB306,800,000	N/A	67.08	Property development
諸城港龍置地有限公司 (「諸城港龍」)**	PRC	RMB33,000,000	RMB10,000,000	80	80	Property development
諸城泰豐置地有限公司 (「諸城泰豐」)**	PRC	RMB33,000,000	RMB10,000,000	80	80	Property development
諸城鳳凰置地有限公司 (「諸城鳳凰」)**	PRC	RMB50,000,000	RMB10,000,000	80	80	Property development
誠通實業投資有限公司 (「誠通實業」)**	PRC	RMB268,000,000	N/A	100	N/A	Property investment
誠通大豐海港開發有限公司 (「大豐開發」)*	PRC	RMB150,000,001	N/A	66.67	N/A	Property development

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

** A limited liability company established in the PRC.

Note: As stated in note 33(e), the rights to transfer the equity interests of 洛陽城南 is restricted by an execution order until the full settlement of the Court Order's liability. Upon the settlement made in February 2010, an application has been submitted by the plaintiff for releasing the restricted rights to transfer the equity interests of 洛陽城南 on the settlement date (the Court's release of the restriction has not yet been completed up to the date of this report).

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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 2009 and 2008 or at any time during the year.

19. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Cost of investments in associates	—	49,076
Share of post acquisition profit	—	3,491
Share of post acquisition reserves	—	5,889
	—	58,456
Unrealised gain on disposal of subsidiaries to an associate	—	(7,688)
	—	50,768
Non-current asset		
Amount due from an associate *(Note)*	—	118,501
Less: Allowance for doubtful receivables	—	(1,086)
	—	117,415
Current asset		
Amounts due from associates	—	72

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Non-current asset		
Amount due from an associate *(Note)*	—	517

Note: At 31 December 2008, the amount due from an associate is unsecured, interest-free and repayable on demand. The directors of the Company expected the amount will be settled after more than one year from the end of reporting period and accordingly the amount is classified as non-current.

The directors of the Company closely monitor the credit quality of amounts due from associates and allowance is made for all the doubtful receivables.

19. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES *(Continued)*

Particulars of the significant associates of the Group at 31 December 2009 and 2008 are as follows:

Company	Place of incorporation and registration/ operations	Equity interest owned by the Group 2009 %	2008 %	Principal activities
Goodwill (Overseas) Limited ("Goodwill Overseas")	BVI/Hong Kong	N/A	32	Investment holding
CIMPOR Chengtong Cement Corporation Limited ("CIMPOR Chengtong")	Hong Kong	N/A	20	Investment holding

The summarised financial information in respect of the Group's associates is set out below:

	THE GROUP 2009 HK$'000	2008 HK$'000
Total assets	—	2,089,976
Total liabilities	—	(1,769,949)
Net assets	—	320,027
Group's share of net assets of associates	—	58,456
Unrealised gain on disposal of subsidiaries to an associate	—	(7,688)
	—	50,768
Revenue	220,288	752,122
Profit for the year	30,511	20,935
Group's share of profit of an associate for the year	6,102	4,188

19. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES *(Continued)*

The Group has discontinued recognition of its share of losses of a loss-making associate. The amounts of unrecognised share of the associate, extracted from the relevant management accounts of associate for both years and cumulatively, are as follows:

	2009 HK$'000	2008 HK$'000
Unrecognised share of loss of an associate for the year	—	2
Accumulated unrecognised share of loss of an associate	—	1,219

At 31 December 2009, all associates of the Group were disposed of.

On 2 April 2009, the Group entered into a share sale and purchase agreement with CIMPOR Macau Investment Company Limited ("CIMPOR Macau"), to dispose its 20% equity interest in its associate, CIMPOR Chengtong at a consideration of HK$58,000,000. CIMPOR Macau is the major shareholder of CIMPOR Chengtong. The proceeds of disposal were received in cash during the year. During the year ended 31 December 2009, an amount of approximately HK$5,889,000 was released from the exchange reserve and transferred to the accumulated profits resulting from such disposal.

	HK$'000
Net assets disposed of:	
Interest in an associate	56,870
Gain on disposal of an associate	1,130
Cash consideration received *	58,000

On 3 September 2009, the Group entered into a share sale agreement with a third party to dispose its 32% equity interest in its associate, Goodwill Overseas and the amount due from Goodwill Overseas at a consideration of US$27,500,000 (equivalent to approximately HK$214,169,000). The proceeds of disposal were received in cash during the year.

	HK$'000
Net assets disposed of:	
Interest in an associate *(Note)*	125
Amount due from an associate	110,189
	110,314
Directly attributable costs	1,234
Gain on disposal of an associate	102,621
	214,169
Cash consideration	214,169
Directly attributable costs	(1,234)
Net cash inflow arising on disposal *	212,935

19. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES *(Continued)*

Note: Interest in an associate was fully impaired in the previous years, impairment loss amounting to HK$125,000 was reversed in profit or loss for the year ended 31 December 2009 upon the disposal of the associate.

* An analysis of total net cash inflow arising on the two abovementioned disposals of associates is set out as below:

	HK$'000
Cash inflow from disposal of CIMPOR Chengtong	58,000
Net cash inflow from disposal of Goodwill Overseas	212,935
Total net cash inflow	270,935

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Cost of investment in a jointly controlled entity	—	—
Share of post acquisition loss	—	—
Share of post acquisition reserves	—	—
	—	—

The principal investment in a jointly controlled entity represents the Company's interest in 50% of registered paid-in capital of Huzhou Wangang. In 2008, Huzhou Wangang became a subsidiary of the Company as described in note 44 and was disposed of in June 2009 as described in note 45.

The summarised financial information for the year ended 31 December 2008 in respect of the Group's interest in the jointly controlled entity which was accounted for using the equity method is set out below:

	THE GROUP
	2008
	HK$'000
Current assets	—
Non-current assets	—
Current liabilities	—
Non-current liabilities	—
Income	—
Expenses	(668)

21. 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 will be settled within one year from the end of the reporting period except as below.

At 31 December 2008, the directors of the Company expected the amount due from subsidiaries of HK$107,010,000 will be settled after more than one year from the end of the reporting period and accordingly the amount is classified as non-current.

22. 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 Creditors(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 0.01% (2008: from 0.01% to 1.50%) per annum.

23. PROPERTIES HELD FOR SALE

As stated in note 33(e), 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. Upon the settlement made in February 2010, an application has been submitted by the plaintiff for releasing the restricted rights to transfer the properties held for sale on the settlement date (the Court's release of the restriction has not yet been completed up to the date of this report).

24. PROPERTIES HELD FOR DEVELOPMENT

The properties held for development mainly comprises leasehold land in the PRC under medium and long term leases without commencement of construction works. The amount is expected to be recovered within the Company's operating cycle, thus, it is classified as current even it is expected to be recovered after twelve months from the end of the reporting period.

25. 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 even it is expected to be recovered after twelve months from the end of the reporting period.

26. AMOUNT RECEIVABLE FROM SALE OF PROPERTIES

At 31 December 2008, the amount represents the balance receivable in relation to the sales of completed properties to the Huzhou local government. In the directors' opinion, the amount will be fully repaid within twelve months and accordingly the amount is classified as current. The amount was derecognised upon the disposal of the subsidiary, Huzhou Wangang (see note 45).

27. TRADE AND OTHER RECEIVABLES

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

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

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Within one month	**—**	100
Over five years	**3,001**	3,001
	3,001	3,101

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

28. AMOUNTS DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY/ AN INTERMEDIATE HOLDING COMPANY

The amounts due from a minority shareholder of subsidiary and an intermediate holding company are unsecured. The amount due from a minority shareholder of a subsidiary bears fixed interest at 6.48% per annum (2008: nil amount) and it is repayable within twelve months from the end of the reporting period. The amount due from an intermediate holding company is interest-free and repayable within twelve months from the end of the reporting period.

29. HELD-FOR-TRADING SECURITIES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Listed/quoted securities/debentures:		
— Equity securities listed in the PRC	**906**	—
— Equity securities listed in Hong Kong	**7,442**	—
— Debentures quoted through OTC in Asia	**6,095**	—
	14,443	—

30. 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 0.31% (2008: from 0.01% to 4.00%) per annum.

Bank balances and cash amounting to HK$441,882,000 (2008: HK$20,783,000) 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.

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

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

31. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

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

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

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

32. TRADE AND OTHER PAYABLES

	THE GROUP	
	2009 *HK$'000*	2008 *HK$'000*
Trade payables	8,453	11,509
Other payables and accruals	29,001	108,018
	37,454	119,527

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

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

33. CLAIM RECOVERABLE/PROVISIONS FOR CLAIMS

Provisions for claims represent the provision for several legal cases of Zhongshi, a wholly-owned subsidiary of the Company. A movement and an analysis of the provisions for claims on respective legal cases are set out below:

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

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

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

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

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

Notes:

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

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

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

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

Notes: (Continued)

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

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

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

(c) In September 2007 and January 2008, Zhongshi has entered into a provisional sales contract and a sales contract with respective customers for sales of certain developed properties in Beijing, the PRC. Zhongshi has received deposits, in aggregate, amounting to approximately RMB5,952,000 (equivalent to approximately HK$6,785,000) from these customers. Owing to the disputes on the usage of the properties between Zhongshi and these customers, no sales of developed properties were recognised by the Group in the previous years and the current year. The amount of deposits received from these customers was classified as current liability as at both years ended 31 December 2009 and 2008.

In November 2008, Zhongshi has applied for court orders to terminate the provisional sales contract and the sales contract with the respective customers and the claims for rental income for occupancy of the concerned properties from these customers. During the year ended 31 December 2009, these customers have made counterclaims against Zhongshi for the compensation on expenditure incurred for decorations and facilities of the concerned properties as well as other losses. Pursuant to the legal advices, if the court had judged for termination of the provisional sales contract and the sales contract, Zhongshi might be liable for payment of compensation to these customers for decorations and facilities expenditures incurred and other losses. It is estimated that the total compensation of the claim would be amounting to approximately HK$18,352,000. The directors of the Company are of the view that it is probable that Zhongshi will be liable for payment of the counterclaims from these customers. Accordingly, a provision for claim of HK$18,352,000 was made during the year ended 31 December 2009.

(d) In April 2009, the owners' committee of a property project developed by Zhongshi has commenced legal proceedings against Zhongshi for the reinstatement of certain unauthorised structure that Zhongshi has constructed on such property development project. In November 2009, the Court ordered Zhongshi to reinstate the unauthorised structure. It is estimated that the total expenses for such reinstatement and legal costs incurred would be amounting to approximately RMB450,000 (equivalent to approximately HK$513,000). Therefore, a provision for claim was made during the year ended 31 December 2009.

(e) In August 2008, Zhongshi has received a summon issued by an independent third party against Zhongshi and three other parties jointly liable to recover (i) an unpaid consideration for transferring equity interest of a company, 北京京華都房地產開發有限公司 ("Jinghuadou"), previously 70% owned by Zhongshi before the Group acquired Zhongshi in 2004 and (ii) related overdue penalty in the aggregate sum of approximately RMB21,336,000 (equivalent to approximately HK$24,110,000) (the "Claim"). Before the Group's acquisition, the 70% equity interest in Zhongshi was previously held by 嘉成企業發展有限公司 ("JiaCheng") which is a wholly-owned subsidiary of CCHG, the ultimate holding company of the Company and the holding company of the former substantial shareholder for the year ended 31 December 2008.

In November 2008, JiaCheng has given an undertaking to Zhongshi to the effect that if Zhongshi is held liable for the amount under the Claim, JiaCheng would be responsible for the amount which Zhongshi is held to be liable and those that maybe suffered by Zhongshi due to the forced sales of the restricted assets.

On 19 December 2008 and 25 June 2009, the PRC local courts ordered Zhongshi and two other parties jointly liable to pay the plaintiff a total sum of approximately RMB21,484,000 (equivalent to approximately HK$24,277,000) which included unpaid consideration of RMB11,200,000 (equivalent to approximately HK$12,656,000), overdue penalty of RMB10,136,000 (equivalent to approximately HK$11,454,000) and court fees of approximately RMB148,000 (equivalent to approximately HK$167,000). According to the execution orders issued by the court, the assets of the jointly liable parties equivalent to the liable amounts under the court orders would be frozen until the settlement of such liable amounts.

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

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

Notes: (Continued)

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

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

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

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

(f) In November 2009, one of the jointly liable parties raised another claim against Zhongshi and the remaining jointly liable party for (i) the repayment of the consideration paid on behalf for the two parties which amounting to RMB20,000,000 (equivalent to approximately HK$22,600,000) and (ii) the request for being exempted from the settlement of the court orders issued by the PRC local courts. With the settlement that made in February 2010 stated in case (e) above, this case has been withdrawn after the settlement day.

(g) On 17 December 2009, a customer of Zhongshi has filed a lawsuit against it for the water leakage problem from the ceiling of the property that purchased from Zhongshi. It is estimated that the total expenses for the repairing works and legal costs incurred would be amounting to RMB61,250 (equivalent to approximately HK$70,000). The directors of the Company are of the view that it is probable that Zhongshi will settle the reinstatement and legal costs incurred amounting of HK$70,000. Therefore, a provision for claim was made during the year ended 31 December 2009.

34. AMOUNTS DUE TO RELATED COMPANIES

The amounts due from related companies represented the balances due from the subsidiaries of the ultimate holding company at 31 December 2009 and the holding company of substantial shareholder at 31 December 2008. These balances are unsecured, interest-free and repayable on demand.

35. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES/A SUBSTANTIAL SHAREHOLDER

The amounts due to minority shareholders of subsidiaries/a substantial shareholder are unsecured and repayable on demand. At 31 December 2009, the amounts due to minority shareholders of subsidiaries are interest-free. The amount due to a substantial shareholder bears fixed interest rate at 5% per annum for the year ended 31 December 2008.

36. SECURED BANK LOANS

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**45,600**	164,980

The bank loans carry a fixed interest rate at 5.940% (2008: 8.316%) per annum, which is 10% above the interest rate per annum offered by The People's Bank of China, and will be repriced every quarter (2008: every twelve months) upon revolving.

At 31 December 2009, the bank loan of HK$45,600,000 is secured by the land use right of a property held for development which amounting to HK$101,000,000.

At 31 December 2008, the bank loan is secured by the land use right of the completed properties which were sold to the Huzhou local government in 2008. The bank loan is also guaranteed by 浙江雲廈集團有限公司, a minority shareholder of a subsidiary.

37. UNSECURED OTHER LOANS

The other loans from third parties are unsecured, repayable on demand and interest-free, except for a loan of HK$2,100,000 (2008: HK$2,100,000) which carried fixed interest rate at 0.05% (2008: 0.05%) per day on a compound basis.

38. LOANS FROM A MINORITY SHAREHOLDER OF SUBSIDIARIES

At 31 December 2009, loans from a minority 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 due for repayment 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 are in April and May 2009.

At 31 December 2008, loans from a minority shareholder of certain subsidiaries are unsecured, interest-free and will be demanded for repayment within three years after the Group has obtained the certificates of the land use rights for certain properties held for development.

The Company does not have an unconditional right to defer settlement of the liability for twelve months after the end of the reporting period, therefore, these loans are classified as current.

39. DEFERRED TAX LIABILITIES

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

	Revaluation of properties HK$'000	Withholding tax for undistributed profits of investment in the PRC HK$'000	Total HK$'000
At 1 January 2008	4,737	—	4,737
Charged to consolidated income statement for the year *(note 10)*	—	1,765	1,765
Exchange differences	242	102	344
At 31 December 2008	4,979	1,867	6,846
Credited to consolidated income statement for the year *(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

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

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Tax losses	**(107,602)**	(98,009)
Impairment losses, allowance for receivables and provisions for claims	**(37,920)**	(16,009)
	(145,522)	(114,018)

No deferred tax asset in respect of the abovementioned temporary differences has been recognised due to unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK$16,005,000 (2008: HK$4,827,000) that will expire in the year of 2014, other tax losses may be carried forward indefinitely.

Note: 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.

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At 31 December 2009, the Company has unused tax losses of HK$45,161,000 (2008: HK$45,161,000) 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.

40. SHARE CAPITAL

	2009 Number of shares '000	2009 Amount HK$'000	2008 Number of shares '000	2008 Amount HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January	**6,000,000**	**600,000**	5,000,000	500,000
Increase during the year *(note a)*	**—**	**—**	1,000,000	100,000
At 31 December	**6,000,000**	**600,000**	6,000,000	600,000
Issued and fully paid:				
At 1 January	**2,678,905**	**267,891**	2,672,020	267,202
Increase during the year *(note b)*	**1,494,529**	**149,453**	—	—
Exercise of share options	**—**	**—**	6,885	689
At 31 December	**4,173,434**	**417,344**	2,678,905	267,891

Notes:

(a) On 16 December 2008, the shareholders of the Company passed an ordinary resolution by way of poll to approve the authorised share capital of the Company increased from HK$500,000,000 to HK$600,000,000 by the creation of 1,000,000,000 new shares of HK$0.10 each.

(b) 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 new shares issued.

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

41. SHARE OPTIONS 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.

41. SHARE OPTIONS 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.

41. SHARE OPTIONS SCHEME *(Continued)*

(viii) Vesting periods

(1) 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.

(2) 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 2009, the total number of shares available for issue under the Scheme was approximately 141,577,000 (2008: 141,452,000) shares which represented approximately 3.4% (2008: 5.3%) of the total issued share capital of the Company.

The movements in the number of options outstanding during both years which have been granted to the directors of the Company and employees of the Group under the Scheme were as follows:

	Date of grant	Exercisable period	Exercise price HK$	Adjusted exercise price HK$	Outstanding at 1.1.2008	Exercised during the year	Lapsed during the year	Outstanding at 1.1.2009	Lapsed during the year	Outstanding at 31.12.2009
Directors	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	362,598	(362,598)	–	–	–	–
	8.3.2004	9.3.2006 to 8.3.2009	0.364	0.3012	362,598	(362,598)	–	–	–	–
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	2,417,317	(2,417,317)	–	–	–	–
Other employees	8.3.2004	9.3.2005 to 8.3.2008	0.364	0.3012	362,598	(362,598)	–	–	–	–
	8.3.2004	9.3.2006 to 8.3.2009	0.364	0.3012	487,794	(362,598)	–	125,196	(125,196)	–
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	3,251,951	(3,017,317)	(234,634)	–	–	–
Total					7,244,856	(6,885,026)	(234,634)	125,196	(125,196)	–
Weighted average exercise price per share					0.2709	0.2804	0.245	0.364	0.364	N/A
Adjusted weighted average exercise price per share					0.2241	0.2320	0.2027	0.3012	0.3012	N/A

Number of share options exercisable at 31 December 2009 was nil (2008: 125,196).

41. SHARE OPTIONS SCHEME *(Continued)*

The following share options granted under the Scheme were exercised in 2008.

Number of options exercised Option 1	Option 2	Exercise date	Share price at exercise date *HK$*
—	2,417,317	14.1.2008	1.62
725,196	—	14.2.2008	1.19
—	600,000	15.2.2008	1.17
725,196	—	5.3.2008	1.27
—	2,417,317	9.9.2008	0.40
1,450,392	5,434,634		

42. 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 29.

THE COMPANY

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2008	212,096	402	1,012	(41,168)	172,342
Loss for the year	—	—	—	(17,463)	(17,463)
Issue of shares upon exercise of share options	1,869	—	(960)	—	909
Share options lapsed	—	—	(31)	31	—
At 31 December 2008	213,965	402	21	(58,600)	155,788
Loss for the year	—	—	—	(16,335)	(16,335)
Increase during the year *(see note 40(b))*	416,409	—	—	—	416,409
Share options lapsed	—	—	(21)	21	—
At 31 December 2009	630,374	402	—	(74,914)	555,862

43. OPERATING LEASES COMMITMENTS

(a) Operating lease commitments as lessee

At 31 December 2009, 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	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**2,426**	2,106
In the second to fourth years	**4,553**	—
	6,979	2,106

Leases are negotiated for an average term of three years.

At 31 December 2009, the Company had commitment for future minimum lease payments under non-cancellable operating lease in respect of rented premise which fall due as follows:

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**1,626**	1,475
In the second to fourth years	**2,980**	—
	4,606	1,475

Lease is negotiated for an average term of three years.

(b) Operating leases commitments as lessor

At 31 December 2009, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**965**	1,617
In the second to fifth years inclusive	**—**	533
	965	2,150

Leases are negotiated for an average term of three years.

At the end of the reporting period, the Company had not entered into any operating lease arrangement for rental income.

44. ACQUISITION OF SUBSIDIARIES

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 the 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 of 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 property 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 have been accounted for as acquisitions of assets.

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

Year ended 31 December 2009

	誠通實業	**大豐開發**	**Total**
	HK$'000	*HK$'000*	*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
Minority 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

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2008

In June 2008, the Group obtained control over, Huzhou Wangang (previously a 50% jointly controlled entity of the Group, see note 20), through the additional capital injection amounting to RMB104,800,000 (equivalent to approximately HK$118,424,000) to Huzhou Wangang (the "Capital Injection") pursuant to a capital injection agreement entered into between a wholly-owned subsidiary of the Company and the other two joint venture owners of Huzhou Wangang (the "Capital Injection Agreement") on 28 March 2008. Upon completion of the Capital Injection in June 2008, Huzhou Wangang becomes a subsidiary of the Group and the Company indirectly owned a 67.08% equity interest in Huzhou Wangang. In accordance with the Capital Injection agreement, profits or losses arising from the existing property development project continue to be shared by the Group and the two minority owners in the proportion of the shareholding before the Capital Injection (i.e. 50% to the Group and 50% to the other two minority owners). The transaction has been accounted for as an acquisition of assets.

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

	2008 **Huzhou Wangang** *HK$'000*
Net assets acquired:	
Property, plant and equipment	994
Properties under development	684,848
Trade and other receivables	269,099
Bills receivable	3,390
Tax recoverable	14,192
Bank balances and cash	14,693
Trade and other payables	(62,643)
Deposits received from sale of properties	(465,062)
Amounts due to minority shareholders	(2,261)
Bank loan	(226,000)
	231,250
Minority interests	(115,625)
	115,625
Release of interest in a jointly controlled entity	(115,625)
	—
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Bank balances and cash acquired	14,693
	14,693

45. DISPOSAL OF SUBSIDIARIES

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 minority shareholders of subsidiaries	(1)
Amounts due to related companies	(14,994)
Tax payable	(9,298)
Bank loan	(135,600)
Deferred tax liabilities	(1,867)
	388,541
Minority interests	(121,861)
	266,680
Directly attributable costs	1,116
Gain on disposal	4,308
	272,104
Satisfied by:	
Cash consideration	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:

(a) 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.

(b) 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.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2008

On 7 August 2008, the Group entered into an equity transfer agreement with a third party, for the disposal of entire issued share capital in a subsidiary, Verde Asia Limited.

The net assets of Verde Asia Limited at the date of disposal were as follows:

	2008 *HK$'000*
Net assets disposed of:	
Trade and other receivables	469
	469
Gain on disposal	12
Total consideration	481
Satisfied by:	
Cash	481
Net cash inflow arising on disposal:	
Cash consideration	481

46. EVENTS AFTER THE REPORTING PERIOD

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

(b) On 18 February 2010, the Group entered into an agreement for the restructuring of the shareholding structure and the shareholders' loans of 諸城港龍, 諸城泰豐 and 諸城鳳凰 with the existing 20% minority shareholder, 北京世紀尊博投資有限公司(「世紀尊博」) (the "Reorganisation"). This reorganisation transaction represented the disposal of 80% equity interests in 諸城港龍 held by Zhongshi, a subsidiary of the Group at a consideration of RMB27,900,000 and the acquisition of 20% equity interest in 諸城泰豐 and 諸城鳳凰, existing 80% owned subsidiaries, held by 世紀尊博 at a consideration of RMB16,600,000. At the same time, the shareholders' loans provided by Zhongshi and 世紀尊博 for the three entities will be restructured and the net amount payable by 世紀尊博 to the Group as a result of debt restructuring shall be approximately RMB6,900,000. Accordingly, 世紀尊博 shall pay to the Group in aggregate net amount of approximately RMB18,200,000. Upon the completion of the reorganisation transaction, 諸城泰豐 and 諸城鳳凰 will become the wholly-owned subsidiary of the Group, while 諸城港龍 will no longer be the subsidiary of the Group. As at the date of this report, the transaction has not yet completed.

47. 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	2009 HK$'000	2008 HK$'000
Associates:			
CIMPOR Chengtong	Consultancy and service income	90	360
蘇州南達水泥有限公司 ("Suzhou Nanda") *(Note)*	Interest income	—	311
An intermediate holding company of the Company:			
CCHK *(Note 9)*	Interest expense	185	829

Note: During the year ended 31 December 2007, the Group granted a short term loan amounting to HK$9,050,000 to Suzhou Nanda, a former associate of the Group.

The loan of HK$9,050,000 is unsecured, bears fixed interest rate at 7% per annum in 2007. The interest rate is revised to 7.47% per annum from 1 January 2008 to 31 March 2008 and 7.56% per annum since 1 April 2008. The amount was repaid in June 2008.

Suzhou Nanda is an associate of the Group since 20 June 2007 until the disposal of the interest in CIMPOR Chengtong (see note 19) and the total interest income for the year ended 31 December 2008 amounting to HK$311,000.

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 19, 21, 28, 34, 35 and 38.

The remunerations of directors and other key management personnel during the year were as follow:

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	3,850	4,964
Post-employment benefits	75	83
	3,925	5,047

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. After the completion of such acquisition of subsidiaries, CCHG has become the ultimate holding company of the Group since 6 November 2009.

47. RELATED PARTY TRANSACTIONS *(Continued)*

Transactions/balances with other government-related entities in the PRC

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

In addition, the Group itself is part of a larger group of companies under CCHG (CCHG and its subsidiaries are referred to as the "CCHG Group") which is controlled by the PRC government. Apart from the transactions with CCHG Group disclosed above, the Group also conducts business with other government-related entities. The directors consider those other government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

The Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks which are government-related entities. A majority of its bank deposits and borrowings are with government-related entities.

48. MAJOR NON-CASH TRANSACTIONS

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 as shown in note 44, with a consideration satisfied by the issuance of 1,494,528,657 shares of the Company at the consideration determined by reference to the fair value of net assets acquired as set out in note 44. The fair value of net assets acquired after taking into consideration of the minority interests at date of completion of the transaction amounted to approximately HK$565,862,000.

Certain properties held for development at 31 December 2008 of approximately HK$141,064,000 is transferred to properties under development during the year ended 31 December 2009 with commencement of construction.

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

49. COMMITMENTS

	2009 HK$'000	2008 HK$'000
Expenditures in respect of the addition of properties under development and properties held for development contracted for but not provided in the consolidated financial statements	4,360	386

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) through CCHK from CCHG. 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.

A. INVESTMENT PROPERTIES

Location	Group's effective interest	Approximate site area *(sq. m.)*	Approximate gross floor area *(sq. m.)*	Usage	Category of land lease
Zone C on Level 3, Li Wan Plaza, No. 9 Dexing Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	100%	N/A	5,366	Commercial	Medium-term lease
Land and buildings of the warehouse complex of Luoyang Southern City CMST Logistics Limited at Gangchang Road, Guanlin Town, Luolong District, Luoyang City, Henan Province, the PRC	100%	74,452	24,678	Warehouse and logistics centre	Medium-term 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	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	22,283	Office and industrial	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	Medium-term lease

B. PROPERTIES HELD FOR SALE

Location	Group's effective interest	Approximate gross floor area *(sq. m.)*	Usage	Category of land lease
Various commercial storage and car parking units in City of Mergence, Lots 9 & 11, Bai Wan Zhuang Avenue, Xicheng District, Beijing, the PRC	100%	3,572	Commercial, storage and car parks	Medium-term lease

C. PROPERTIES HELD FOR DEVELOPMENT

Location	Group's effective interest	Approximate site area *(sq. m.)*	Usage	Category of land 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 HELD FOR DEVELOPMENT *(Continued)*

Location	Group's effective interest	Approximate site area (sq. m.)	Usage	Category of land lease
A parcel of land designated as No. 03231002 and located on the eastern side of Heping Street - Northern Section, Zhucheng City, Shandong Province, the PRC	80%	73,331	Residential	Long lease
A parcel of land designated as No. 010141-2-1 and located on the northern side of Fanrong West Road - Western Section, Zhucheng City, Shandong Province, the PRC	80%	99,599	Residential and commercial	Commercial - Medium-term lease Residential - Long lease

D. PROPERTIES UNDER DEVELOPMENT

Location	Group's effective interest	Approximate site area (sq. m.)	Usage	Category of land 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	Phase I construction in progress	Phase I is expected to be completed in Year 2010.
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	80%	146,006	Residential	Long lease	Phase I construction in progress	Phase I is expected to be completed by the end of Year 2010 or in the first half of Year 2011.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the year ended 31 December 2009 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				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	
RESULTS					
Turnover	**5,536**	987,954	52,819	291,414	253,772
Profits (loss) attributable to owners of the Company	**61,982**	5,778	35,945	25,795	(45,997)

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)	*(Restated)*	
ASSETS AND LIABILITIES					
Property, plant and equipment	**8,554**	4,338	3,232	1,404	55,650
Investment properties	**251,256**	89,270	83,740	45,000	86,400
Interests in associates	**—**	50,768	41,599	264	263
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	—
Properties held for development	**411,865**	270,742	—	—	—
Properties under development	**203,077**	—	—	—	—
Current assets	**726,248**	627,853	358,763	230,546	551,819
Total assets	**1,605,200**	1,164,586	735,289	529,759	694,132
Current liabilities	**(159,678)**	(364,565)	(97,156)	(114,925)	(403,106)
Deferred tax liabilities	**(718)**	(6,846)	(4,737)	(3,937)	(5,694)
Total liabilities	**(160,396)**	(371,411)	(101,893)	(118,862)	(408,800)