
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Chengtong Development Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

**CONNECTED TRANSACTIONS —
REORGANISATION OF PROJECT COMPANIES**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



CIMB Securities (HK) Limited

11 March 2010

CONTENT

	<i>Page</i>
Definitions	ii
Letter from the Board	
Introduction	1
Connected Transactions — Reorganisation of Project Companies	2
Independent advice	11
Additional information	11
Letter from the Independent Board Committee	12
Letter from the Independent Financial Adviser	13
Appendix I — Valuation report	27
Appendix II — General information	46

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 18 February 2010 in relation to the Reorganisation
“Agreement”	the agreement dated 18 February 2010 made between Zhongshi, the JV Partner, Phoenix Landmark, Prosperity Landmark and Dragon Landmark for the purpose of implementing the Reorganisation
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CIMB” or “Independent Financial Adviser”	CIMB Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Reorganisation
“Company”	China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	World Gain Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which, as at the date of the Announcement, held 2,286,343,570 issued Shares, representing approximately 54.8% of the issued share capital of the Company. World Gain Holdings Limited is a controlling shareholder of the Company within the meaning of the Listing Rules
“Director(s)”	the director(s) of the Company
“Dragon Landmark”	諸城港龍置地有限公司 (Zhucheng Dragon Landmark Company Limited), a company incorporated in the PRC with limited liability owned as to 80% by Zhongshi and 20% by the JV Partner

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors established by the Board to advise the Independent Shareholders in relation to the Reorganisation
“Independent Shareholder(s)”	the Shareholder(s) who would not be required to abstain from voting at a general meeting (if one were held) to approve the Reorganisation
“JV Partner”	北京世紀尊博投資有限公司 (Beijing Century Zun Bo Investment Company Limited), a company incorporated in the PRC with limited liability, which owns, as at the date of the Agreement, 20% equity interest in each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark
“Latest Practicable Date”	9 March 2010 , being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Phoenix Landmark”	諸城鳳凰置地有限公司 (Zhucheng Phoenix Landmark Company Limited), a company incorporated in the PRC with limited liability owned as to 80% by Zhongshi and 20% by the JV Partner
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Project Companies”	collectively, Phoenix Landmark, Prosperity Landmark and Dragon Landmark

DEFINITIONS

“Prosperity Landmark”	諸城泰豐置地有限公司 (Zhucheng Prosperity Landmark Company Limited), a company incorporated in the PRC with limited liability owned as to 80% by Zhongshi and 20% by the JV Partner
“Reorganisation”	the reorganisation of the shareholding structure and certain debts of Phoenix Landmark, Prosperity Landmark and Dragon Landmark as described in the sub-paragraph headed “Subject matter” in the paragraph headed “The Agreement” in the section headed “Letter from the Board” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.10 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongshi”	中實投資有限責任公司 (Zhongshi Investment Company Limited), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.14. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

Executive Directors:

Mr. Zhang Guotong (*Chairman*)
Mr. Wang Hongxin (*Managing Director*)
Mr. Wang Tianlin

Registered Office:

Suite 6406, 64th Floor
Central Plaza, 18 Harbour Road
Wanchai
Hong Kong

Non-executive Directors:

Mr. Gu Laiyun
Ms. Xu Zhen

Independent non-executive Directors:

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

To the Shareholders

11 March 2010

Dear Sir or Madam

**CONNECTED TRANSACTIONS —
REORGANISATION OF PROJECT COMPANIES**

INTRODUCTION

The Board announced that on 18 February 2010, Zhongshi, the JV Partner, Phoenix Landmark, Prosperity Landmark and Dragon Landmark entered into the Agreement whereby the parties have conditionally agreed to restructure the shareholding structure and certain debts of each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark.

LETTER FROM THE BOARD

This circular is despatched to the Shareholders for information purposes only and contains, among other things, (i) details about the Reorganisation; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Reorganisation; and (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Reorganisation.

CONNECTED TRANSACTIONS — REORGANISATION OF PROJECT COMPANIES

Summary of the major terms of the Agreement

1. Date

18 February 2010

2. Parties

Parties:

— Zhongshi, a wholly-owned subsidiary of the Company established in the PRC with limited liability which is principally engaged in property development and investment holdings.

— JV Partner

The JV Partner is a company incorporated in the PRC with limited liability. It is the owner of 20% of the equity interest in each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark, each being a subsidiary of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the principal activity of the JV Partner is investment holdings. The JV Partner has confirmed that neither it nor any of its associates is the holder of any securities of the Company and has undertaken that neither it nor any of its associates will acquire any securities of the Company pending completion of the Reorganisation.

— Phoenix Landmark, a 80% owned subsidiary of the Company established in the PRC with limited liability which is principally engaged in property development.

— Prosperity Landmark, a 80% owned subsidiary of the Company established in the PRC with limited liability which is principally engaged in property development.

— Dragon Landmark, a 80% owned subsidiary of the Company established in the PRC with limited liability which is principally engaged in property development.

LETTER FROM THE BOARD

3. Subject matter:

Subject matter:

The parties to the Agreement have conditionally agreed to implement the Reorganisation whereby:

- (1) Zhongshi will purchase 20% equity interest in Phoenix Landmark from the JV Partner;
- (2) Zhongshi will purchase 20% equity interest in Prosperity Landmark from the JV Partner;
- (3) Zhongshi will sell 80% equity interest in Dragon Landmark to the JV Partner; and
- (4) the following debts owing to Zhongshi as at 31 January 2010 shall be applied towards the setting off of an equivalent amount of the debts owing to the JV Partner as at 31 January 2010:

	Owing to Zhongshi <i>RMB (in million)</i>	Owing to the JV Partner <i>RMB (in million)</i>
Phoenix Landmark	N/A (Note 1)	10.1
Prosperity Landmark	N/A (Note 1)	3.2
Dragon Landmark	19.9	N/A (Note 2)
Owing by Dragon Landmark <i>(payment obligation novated to the JV Partner to Phoenix Landmark (assigned to Zhongshi)</i>	0.3	Nil
Total:	20.2	13.3

Notes:

1. As at 31 January 2010, Phoenix Landmark and Prosperity Landmark owed to Zhongshi approximately RMB72.1 million and RMB24.1 million respectively.
2. As at 31 January 2010, Dragon Landmark owed to the JV Partner approximately RMB2.6 million.

In the event that there is any change in any amount of any of the above debts, the Second Payment (as defined in the paragraph headed “Consideration” below) shall be adjusted by an equivalent amount.

LETTER FROM THE BOARD

4. Payment schedule of the consideration

The purchase price for the acquisition of 20% equity interest in Phoenix Landmark payable by the Group is RMB10.0 million (equivalent to HK\$11.4 million) while the purchase price for the acquisition of 20% equity interest in Prosperity Landmark payable by the Group is RMB6.6 million (equivalent to approximately HK\$7.5 million).

The consideration for the disposal of the Group's 80% equity interest in Dragon Landmark to the JV Partner is RMB27.9 million (equivalent to approximately HK\$31.8 million).

Zhongshi and the JV Partner have agreed to set off their above payment obligations towards each other so that the net amount payable by the JV Partner to the Group for (i) the disposal of the 20% equity interest in each of Phoenix Landmark and Prosperity Landmark and (ii) the acquisition of 80% equity interest in Dragon Landmark is RMB11.3 million (equivalent to approximately HK\$12.9 million).

In addition to the consideration for the transfer of equity interest in the companies referred to above, the net amount payable by the JV Partner to the Group as a result of the assignment of debts and setting-off as described in the paragraph headed "Subject matter" above shall be approximately RMB6.9 million (equivalent to approximately HK\$7.9 million).

Accordingly, in connection with the Reorganisation, the JV Partner shall pay to the Group an aggregate amount of approximately RMB18.2 million (equivalent to approximately HK\$20.8 million) ("**Net Price**").

It is a term of the Agreement that the Net Price shall be paid by the JV Partner to the Group in cash in the following manner:

- (1) RMB3 million (equivalent to approximately HK\$3.4 million) shall be paid upon the signing of the Agreement as deposit ("**Deposit**");
- (2) approximately RMB6.1 million (equivalent to approximately HK\$7.0 million) ("**First Payment**") shall be paid on or before 28 February 2010; and
- (3) approximately RMB9.1 million (equivalent to approximately HK\$10.4 million) ("**Second Payment**"), or the remaining balance of the Net Price as adjusted as a result of any change in the amount of debt as described in the paragraph headed "Subject matter" above, shall be paid on or before 31 March 2010.

As at the Latest Practicable Date, the Deposit and the First Payment had been paid to the Group.

LETTER FROM THE BOARD

5. Conditions precedent and Completion:

The parties agreed that the date on which the change of the shareholding structure of Phoenix Landmark, Prosperity Landmark and Dragon Landmark is registered by the PRC governmental authority would be taken as the date of completion of the Reorganisation.

The parties agreed that after the fulfillment of all of the following conditions precedent, the parties shall submit the relevant documents to the relevant PRC governmental authorities to complete the Reorganisation:

- (1) the board of directors and the shareholders of each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark have approved the Reorganisation;
- (2) the board of directors and the shareholders of Zhongshi have approved the execution of the Agreement;
- (3) the board of directors and the shareholders of the JV Partner have approved the execution of the Agreement;
- (4) the board of directors and the shareholders of the Company have approved the Reorganisation in accordance with the articles of association of the Company and requirements under the Listing Rules;
- (5) the JV Partner has discharged its payment obligations in respect of the Net Price as described in the paragraph headed “Consideration” above; and
- (6) if applicable, the JV Partner has settled all amount due from Dragon Landmark to the Group prior to the completion of the Reorganisation.

As at the Latest Practicable Date, conditions (1) to (4) had been fulfilled.

None of the conditions precedent as described above is capable of being waived by any party to the Agreement.

In the event that any of the conditions precedent described above is not fulfilled within 90 days after the signing of the Agreement (or such later date as may be agreed between Zhongshi and the JV Partner), the Agreement shall lapse and be of no further effect and no party to the Agreement shall have any claim against or liability to the other parties.

LETTER FROM THE BOARD

In the event that (i) the JV Partner has failed to pay the First Payment and/or the Second Payment to the Group; or (ii) the Group has discharged its part to procure the fulfilment of conditions precedent (1), (2) and (4) above and the other conditions precedent are not fulfilled for reasons caused by the JV Partner, the Group has the right to terminate the Agreement and to forfeit the Deposit as compensation.

Basis of determination of the Consideration

The various consideration in connection with the Reorganisation payable by or, as the case may be, to the Group is determined by the parties after arm's length negotiations with reference to (i) (as regards the 20% equity interest in each of Phoenix Landmark and Prosperity Landmark to be acquired) the amount of the registered capital in the relevant joint venture company represented by the equity interest concerned; and (ii) (as regards the 80% equity interest in Dragon Landmark to be disposed of) the amount of the registered capital in the Dragon Landmark represented by the equity interest concerned together with a premium of approximately 5.7% over the Group's contribution to such registered capital.

The debts set out above are to be set-off at their respective face value.

Information on the Project Companies

Each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark was established on 12 August 2008 pursuant to several joint venture documents entered into between Zhongshi and the JV Partner on 31 July 2008 (details of the establishment of such three companies are set out in the Company's circular dated 21 August 2008).

As at the date of the Agreement, the registered capital of Phoenix Landmark, Prosperity Landmark and Dragon Landmark is RMB50 million, RMB33 million and RMB33 million respectively. The registered capital of each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark is owned as to 80% by Zhongshi and 20% of the JV Partner.

LETTER FROM THE BOARD

Each of the Project Companies is principally engaged in property development in the region of Zhucheng City, Shandong Province, the PRC. The status of the property projects of the Project Companies are as follows:

Name of the Project Company	Location of property project	Site area and permitted usage	Status
Phoenix Landmark	Northern side of Mizhou West Road-Eastern Section (密州西路東段北側), Zhucheng City, Shandong Province, the PRC	146,006 sq. m. for residential use	Under construction and it is expected the construction of Phase I of the development will be completed in or around the first half of 2011
Prosperity Landmark	Northern side of Fanrong West Road — West Section (繁榮路西首北側), Zhucheng City, Shandong Province, the PRC	99,599 sq. m. for commercial /services and residential use	Planning stage
Dragon Landmark	Eastern side of Heping Street-Northern Section (和平街北段東側), Zhucheng City, Shandong Province, the PRC	73,331 sq. m. for residential use	Planning stage

Up to 31 December 2009, each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark has not generated any revenue as all of the property development projects are still under development or planning stage.

LETTER FROM THE BOARD

Set out below is a summary of certain unaudited financial information of Phoenix Landmark for the period from 12 August 2008 to 31 December 2008 and the year ended 31 December 2009 prepared in accordance with the PRC GAAP:

	For the period from 12 August 2008 to 31 December 2008	For the year ended 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss) (before taxation and extraordinary items)	(226)	(1,404)
Net (loss) (after taxation and extraordinary items)	(226)	(1,404)

The unaudited total asset value and net asset value of Phoenix Landmark as at 31 December 2009 is approximately RMB135.2 million and approximately RMB48.4 million respectively.

The JV Partner's original cost of the 20% equity interest in Phoenix Landmark to be disposed of to the Group pursuant to the Reorganisation is approximately RMB 20.0 million (equivalent to approximately HK\$22.8 million), comprising RMB10.0 million being the JV Partner's contribution to the registered capital of Phoenix Landmark and approximately RMB10.0 million being the aggregate amount of shareholder loan that the JV Partner has advanced to Phoenix Landmark.

Set out below is a summary of certain unaudited financial information of Prosperity Landmark for the period from 12 August 2008 to 31 December 2008 and the year ended 31 December 2009 prepared in accordance with the PRC GAAP:

	For the period from 12 August 2008 to 31 December 2008	For the year ended 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss) (before taxation and extraordinary items)	(29)	(430)
Net (loss) (after taxation and extraordinary items)	(29)	(430)

The unaudited total asset value and net asset value of Prosperity Landmark as at 31 December 2009 is approximately RMB60.5 million and approximately RMB32.5 million respectively.

LETTER FROM THE BOARD

The JV Partner's original cost of the 20% equity interest in Prosperity Landmark to be disposed of to the Group pursuant to the Reorganisation is approximately RMB9.8 million (equivalent to approximately HK\$11.2 million), comprising RMB6.6 million being the JV Partner's contribution to the registered capital of Prosperity Landmark and approximately RMB3.2 million being the aggregate amount of shareholder loan that the JV Partner has advanced to Prosperity Landmark.

Set out below is a summary of certain unaudited financial information of Dragon Landmark for the period from 12 August 2008 to 31 December 2008 and the year ended 31 December 2009 prepared in accordance with the PRC GAAP:

	For the period from 12 August 2008 to 31 December 2008	For the year ended 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss) (before taxation and extraordinary items)	(33)	(334)
Net (loss) (after taxation and extraordinary items)	(33)	(334)

The unaudited total asset value and net asset value of Dragon Landmark as at 31 December 2009 is approximately RMB55.5 million and approximately RMB32.6 million respectively.

Zhongshi's original cost of the 80% equity interest in Dragon Landmark to be disposed of to the JV Partner pursuant to the Reorganisation is approximately RMB 46.1 million (equivalent to approximately HK\$52.6 million), comprising RMB26.4 million being Zhongshi's contribution to the registered capital of Dragon Landmark and RMB19.7 million being the aggregate amount of shareholder loan that Zhongshi has advanced to Dragon Landmark.

Financial effects of the Reorganisation

Upon completion of the Reorganisation, each of Phoenix Landmark and Prosperity Landmark will become a wholly-owned subsidiary of the Company and the Company will cease to have any interest in Dragon Landmark, which will become wholly-owned by the JV Partner.

The Company expects to recognise an unaudited accounting gain of approximately RMB1.8 million (equivalent to approximately HK\$2.1 million) as a result of the disposal by the Group of its 80% equity interest in Dragon Landmark, being the difference between (i) the consideration receivable by the Group for such disposal (being the consideration for the equity interest transfer of approximately RMB27.9 million) and (ii) 80% of the unaudited net asset value of Dragon Landmark as at 31 December 2009 (such 80% being approximately RMB26.1 million). The final amount of the actual gain or loss as a result of the disposal by the Group of its 80% equity interest in Dragon Landmark will be determined upon completion of the Reorganisation. The shareholders' equity of the Group is expected to increase in the same amount.

LETTER FROM THE BOARD

The Directors expect that the Net Price to be received by the Group in connection with the Reorganisation of approximately HK\$20.8 million will be used as general working capital of the Group.

Reasons for and benefits of the Reorganisation

The Group is principally engaged in property development, property investment and land resources exploitation.

The executive Directors are of the view that Reorganisation enables the Group to gain full control of each of Phoenix Landmark and Prosperity Landmark by acquiring the minority interests from the JV Partner so that management efficiency is expected to be enhanced. In addition, by realizing its investment in Dragon Landmark, the Group can consolidate its efforts and resources in the Zhucheng region in the projects carried out by Phoenix Landmark and Prosperity Landmark.

The executive Directors are of the view that the Reorganisation is conducted on terms which are on arm's length basis and the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Independent Board Committee, after taking into account the advice of CIMB, is of the opinion that the Reorganisation is on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Listing Rules implications

By virtue of the relationship between the JV Partner and the Group as described above, the JV Partner is a connected person of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios are more than 2.5% and the monetary value involved is more than HK\$10 million, the Reorganisation does not fall within any exemption provisions under Rules 14A.31 and 14A.32 and is thus subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The JV Partner has confirmed that neither it nor any of its associates is the holder of any securities of the Company and has undertaken that neither it nor any of its associates will acquire any securities of the Company pending completion of the Reorganisation. On such basis, no shareholder of the Company would be required to abstain from voting if a physical meeting for approval of the Reorganisation were to be convened. Pursuant to Rule 14A.43 of the Listing Rules, the Company has obtained from the Stock Exchange a waiver from the requirement to hold a physical shareholders' meeting with the written approval from the Controlling Shareholder for the Reorganisation.

LETTER FROM THE BOARD

A written shareholders' approval on the Reorganisation has already been obtained from the Controlling Shareholder, who as at the date of the Announcement, held approximately 54.8% of the issued share capital of the Company.

INDEPENDENT ADVICE

CIMB has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Reorganisation. Your attention is drawn to the letter from the Independent Financial Adviser set out on pages 13 to 26 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Reorganisation and the principal factors and reasons considered by CIMB in arriving its advice.

The Independent Board Committee, after taking into account the advice of CIMB, is of the opinion that the Reorganisation is on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
China Chengtong Development Group Limited
Wang Hongxin
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

11 March 2010

To the Independent Shareholders

Dear Sir or Madam

CONNECTED TRANSACTIONS — REORGANISATION OF PROJECT COMPANIES

We refer to the circular issued by the Company to its Shareholders and dated 11 March 2010 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Reorganisation constitutes a connected transaction for the Company.

We have been appointed by the Board to consider the terms of the Reorganisation and to advise the Independent Shareholders in connection therewith and as to whether, in our opinion, such terms are fair and reasonable so far as the Independent Shareholders are concerned. CIMB has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, CIMB as set out in its letter of advice, we consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interest of the Company and the Shareholders as a whole.

Yours faithfully,

For and on behalf of

Independent Board Committee

Kwong Che Keung, Gordon

Tsui Yiu Wa, Alec

Lao Youan

Ba Shusong

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is a full text of a letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular.



CIMB Securities (HK) Limited

25th Floor, Central Tower
28 Queen's Road Central
Hong Kong

11 March 2010

*To the Independent Board Committee and the Independent Shareholders of
China Chengtong Development Group Limited*

Dear Sirs/Madams,

CONNECTED TRANSACTIONS IN RELATION TO REORGANISATION OF PROJECT COMPANIES

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Reorganisation, details of which are set out in the letter from the Board (the "Letter from the Board") as contained in the circular of the Company to the Shareholders dated 11 March 2010 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 18 February 2010, Zhongshi, a wholly-owned subsidiary of the Company, the JV Partner, Phoenix Landmark, Prosperity Landmark and Dragon Landmark entered into the Agreement whereby the parties have conditionally agreed to implement the Reorganization.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that as at the Latest Practicable Date, Zhongshi and the JV Partner held the respective 80% and 20% registered capital of each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark, the JV Partner is a connected person of the Company under Chapter 14A of the Listing Rules and the Reorganisation constitutes a connected transaction of the Company under the Listing Rules. Accordingly, the Reorganisation is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

A written shareholders' approval on the Reorganisation has already been obtained from the Controlling Shareholder on 18 February 2010 who held approximately 54.8% of the issued share capital of the Company as at the Latest Practicable Date. As no Shareholder would be required to abstain from voting if a physical meeting for approval of the Reorganisation were to be convened, pursuant to Rule 14A.43 of the Listing Rules, the Company has made an application to the Stock Exchange for, and has been granted with, a waiver that the written approval from the Controlling Shareholder in lieu of holding a physical shareholders' meeting is acceptable for approval of the Reorganisation.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, Mr. Lao Youan and Mr. Ba Shusong, has been formed to advise the Independent Shareholders in relation to the Reorganisation.

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view to justify reliance on the information contained in the Circular and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the management of the Company. The Directors have declared in a responsibility statement set out in the Appendix II to the Circular that they jointly and severally accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the Directors' representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the JV Partner, Phoenix Landmark, Prosperity Landmark, Dragon Landmark or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in relation to the Reorganisation, we have considered the following principal factors and reasons:

(I) Background

Background

On 18 February 2010, Zhongshi, a wholly-owned subsidiary of the Company, the JV Partner, Phoenix Landmark, Prosperity Landmark and Dragon Landmark entered into the Agreement whereby the parties have conditionally agreed to implement the Reorganization whereby:

- (i) Zhongshi will purchase 20% equity interest in Phoenix Landmark (the “Phoenix Interest”) from the JV Partner for a consideration (the “Phoenix Consideration”) of RMB10.0 million (equivalent to HK\$11.4 million);
- (ii) Zhongshi will purchase 20% equity interest in Prosperity Landmark (the “Prosperity Interest”) from the JV Partner for a consideration (the “Prosperity Consideration”) of RMB6.6 million (equivalent to approximately HK\$7.5 million);
- (iii) Zhongshi will sell 80% equity interest in Dragon Landmark (the “Dragon Interest”) to the JV Partner for a consideration (the “Dragon Consideration”) of RMB27.9 million (equivalent to approximately HK\$31.8 million); and
- (iv) the debts owing to Zhongshi (including Phoenix Landmark) by Dragon Landmark as at 31 January 2010 shall be applied towards the setting off of an equivalent amount of the debts owing to the JV Partner by Phoenix Landmark and Prosperity Landmark as at 31 January 2010 (subject to adjustment upon completion of the Reorganisation).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon completion (“Completion”) of the Reorganisation, Phoenix Landmark and Prosperity Landmark will become wholly-owned subsidiaries of the Company and the Company will cease to have any interest in Dragon Landmark, which will become wholly-owned by the JV Partner, the effects of which are presented below:

Target company	Interests attributable to the Group as at the Latest Practicable Date	Interests attributable to the Group immediately upon Completion	Change in attributable interest - increase/(decrease)	Effect on the Group
Phoenix Landmark	80%	100%	20%	Acquisition
Prosperity Landmark	80%	100%	20%	Acquisition
Dragon Landmark	80%	—	(80%)	Disposal

Information on the Project Companies

Each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark was established on 12 August 2008 pursuant to several joint venture documents entered into between Zhongshi and the JV Partner on 31 July 2008, details of which are set out in the Company’s circular dated 21 August 2008, and is principally engaged in property development in the region of Zhucheng, Shandong Province, the PRC.

Phoenix Landmark

As stated in the Letter from the Board, as at date of the Agreement, the registered capital of Phoenix Landmark is RMB50 million, 80% of which was held by Zhongshi and the remaining 20% was held by the JV Partner. Phoenix Landmark is principally engaged in the development of a property project located on the northern side of Mizhou West Road - Eastern Section, Zhucheng, Shandong Province, the PRC (the “Phoenix Project”).

As stated in the valuation report prepared by B.I. Appraisals Limited (the “Valuation Report”), the Phoenix Project comprises a parcel of land with a site area of approximately 146,006 square meters (“sq. m.”) which is planned to be developed into a residential complex known as 香榭里 (Xiang Xie Li) with a total planned gross floor area (“GFA”) of approximately 258,684 sq.m. plus the basement floor area of approximately 46,779 sq.m. and comprising 32 blocks of low to high-rise residential buildings with communal, shopping and car parking facilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The first phase (the “Phase 1 of Phoenix”) of the Phoenix Project comprises a site area of approximately 48,897 sq.m. and is planned to be developed into 15 blocks of 4 to 9-storey residential building and 3 blocks of 2-storey commercial building together with car parking spaces and bays for parking of motor vehicles and non-motor vehicles with a total GFA of approximately 46,424 sq.m. plus basement floor area of approximately 6,373 sq.m.. The construction of the Phase 1 of Phoenix is scheduled to be completed in the first half of 2011. Accordingly, Phoenix Landmark did not record any revenue for the period from 12 August 2008 (being the date of its incorporation) to 31 December 2008 and the year ended 31 December 2009. Set out below is the unaudited financial information of Phoenix Landmark for the period from 12 August 2008 to 31 December 2008 and the year ended 31 December 2009 prepared in accordance with the PRC GAAP:

	For the period from 12 August 2008 to 31 December 2008	For the year ended 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	—	—
Net (loss) (before taxation and extraordinary items)	(226)	(1,404)
Net (loss) (after taxation and extraordinary items)	(226)	(1,404)

According to the Valuation Report, the market value of the Phoenix Project in existing state as at 31 December 2009 was RMB161 million.

Prosperity Landmark

As stated in the Letter from the Board, as at the date of the Agreement, the registered capital of Prosperity Landmark is RMB33 million, 80% of which was held by Zhongshi and the remaining 20% was held by the JV Partner. Prosperity Landmark is principally engaged in the development of a property project located on the northern side of Fanrong West Road - Western Section, Zhucheng, Shandong Province, the PRC (the “Prosperity Project”).

As stated in the Valuation Report, the Prosperity Project comprises a parcel of land with a site area of approximately 99,599 sq. m. which is required to be divided into two portions including a portion with a site area of 80,853 sq.m. to be developed for residential use with a maximum GFA of approximately 121,280 sq.m. and the other portion with a site area of 18,746 sq.m. to be developed for residential and commercial uses with a maximum GFA of approximately 37,492 sq.m..

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, the Prosperity Project was still under the planning stage as at the Latest Practicable Date. Set out below is the unaudited financial information of Prosperity Landmark for the period from 12 August 2008 to 31 December 2008 and the year ended 31 December 2009 prepared in accordance with the PRC GAAP:

	For the period from 12 August 2008 to 31 December 2008	For the year ended 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	—	—
Net (loss) (before taxation and extraordinary items)	(29)	(430)
Net (loss) (after taxation and extraordinary items)	(29)	(430)

According to the Valuation Report, the market value of the Prosperity Project in existing state as at 31 December 2009 was RMB78 million.

Dragon Landmark

As stated in the Letter from the Board, as at the date of the Agreement, the registered capital of Dragon Landmark is RMB33 million, 80% of which was held by Zhongshi and the remaining 20% was held by the JV Partner. Dragon Landmark is principally engaged in the development of a property project located on the eastern side of Heping Street - Northern Section, Zhucheng, Shandong Province, the PRC (the "Dragon Project").

As stated in the Valuation Report, the Dragon Project comprises a parcel of land with a site area of approximately 73,331 sq. m. which is permitted to be developed for residential use with a GFA of approximately 205,300 sq.m..

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by management of the Company, Dragon Landmark was still under the planning stage as at the Latest Practicable Date. Set out below is the unaudited financial information of Dragon Landmark for the period from 12 August 2008 to 31 December 2008 and the year ended 31 December 2009 prepared in accordance with the PRC GAAP:

	For the period from 12 August 2008 to 31 December 2008	For the year ended 31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	—	—
Net (loss) (before taxation and extraordinary items)	(33)	(334)
Net (loss) (after taxation and extraordinary items)	(33)	(334)

According to the Valuation Report, the market value of the Dragon Project in existing state as at 31 December 2009 was RMB68 million.

(II) Reasons for the Reorganisation

The Group is principally engaged in property development, property investment and land resources exploitation. As such, we consider that the Reorganisation falls within the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company and noted from the contract (the “Phoenix Land Grant Contract”) for grant of state-owned construction land use right dated 8 May 2009 and entered into between 諸城市國土資源局 (Zhucheng City State-owned Land Resources Bureau, “Zhucheng Land Bureau”) and Phoenix Landmark, the contract (the “Prosperity Land Grant Contract”) for grant of state-owned construction land use right dated 16 April 2009 and entered into between Zhucheng Land Bureau and Prosperity Landmark and the contract (the “Dragon Land Grant Contract”, together with the Phoenix Land Grant Contract and the Prosperity Land Grant Contract), collectively the “Land Grant Contracts” for grant of state-owned construction land use right dated 8 May 2009 and entered into between Zhucheng Land Bureau and Dragon Landmark, the Group is required to invest in the Phoenix Project, the Prosperity Project and the Dragon Project with an aggregate amount of no less than RMB1,450 million, the construction of the Phoenix Project and the Dragon Project is required to be commenced in or before November 2009 and to be completed in or before November 2012, and the construction of the Prosperity Project is required to be commenced in or before October 2009 and to be completed in or before October 2012. Despite that the Land Grant Contracts provide an up to one-year delay in commencement and completion of the relevant construction, we concur with the management’s view that, given the Group’s resources on hand, the Reorganisation would help the Group to consolidate the Group’s efforts and resources to develop the projects carried out by Phoenix Landmark and Prosperity Landmark by releasing the Group from deploying resources for the Dragon Project and also helps to streamline the Group’s structure of projects in the region of Zhucheng and enhance management efficiency in respect of Phoenix Landmark and Prosperity Landmark.

Furthermore, as stated in the Company’s interim report for the period ended 30 June 2009, the initial presale of the Phoenix Project is expected to commence in 2010. Given that the Company would gain full control of Phoenix Landmark after acquiring the minority interests from the JV Partner and the Phoenix Project will generate cashflow in the near future, we concur with the management’s view that the Reorganisation is expected to help enhance the Group’s cash flow.

We also note from the Letter from the Board that the disposal by the Group of the Dragon Interest is expected to generate an unaudited accounting gain of approximately RMB1.8 million (subject to audit and adjustment) upon Completion.

Given the above, in particular, the consolidation of the Group’s resources in project developments, the expected improvement in the Group’s cash flow position, the streamline of the Group’s structure and the realization of the Group’s investment in Dragon Landmark at a gain, we consider that the Reorganisation is in the interests of the Company and the Shareholders as a whole.

(III) Overview of the economy and the property market in Shandong Province, the PRC

As noted from the Letter from the Board, property projects of the Project Companies are located in the region of Zhucheng, Shandong Province, the PRC, and as advised by the Company, Zhucheng is located at the southeast of 山東半島 (Shandong Peninsula) and also one of the top 100 cities in respect of comprehensive informatization in the PRC in 2009 (2009年中國信息化綜合實力百強城市). We have reviewed information sourced from public domains in respect of the economy development and the property market of Shandong Province.

Based on the statistics released by National Bureau of Statistics of China and Shandong Statistics Bureau, gross domestic product of Shandong Province increased from RMB833.7 billion in 2000 to RMB3,380.5 billion in 2009, representing a compound annual growth rate (“CAGR”) of approximately 16.8% over the period. During the same period, the annual disposable income per capita of urban households of the province also increased to approximately RMB17,811 in 2009, representing a CAGR of approximately 11.9%.

During the period from 2000 to 2009, total investment in fixed assets of Shandong Province amounted to approximately RMB1,903.1 billion, representing a CAGR of approximately 25.1%, total import and export amounted to approximately US\$138.6 billion in 2009, representing a CAGR of approximately 21.0%, and the contract value in respect of foreign direct investment amounted to approximately US\$8.7 billion, representing a CAGR of approximately 6.1%.

Statistics also showed that the province completed investment in real estate with an amount of approximately RMB242.9 billion in 2009, representing a CAGR of approximately 30.4% during the same period.

Given the above and the macro economic development in the PRC, management of the Company is optimistic of the economic development potential, the real estate market development and the consumption power in the region of Zhucheng.

(IV) Major terms of the Agreement

(i) Net Price

As stated in the Agreement, Zhongshi will purchase (i) the Phoenix Interest at the Phoenix Consideration of RMB10.0 million; and (ii) the Prosperity Interest at the Prosperity Consideration of RMB6.6 million; and will dispose of the Dragon Interest at the Dragon Consideration of RMB27.9 million. The Dragon Consideration payable by the JV Partner to Zhongshi with an amount of RMB27.9 million shall be set-off against the aggregate of the Phoenix Consideration and the Prosperity Consideration with an aggregate amount of RMB16.6 million. As a result of such set-off, the net consideration (the “Net Consideration”) for the transfer of equity interests under the Reorganisation payable by the JV Partner to Zhongshi shall be RMB11.3 million.

In addition to the Net Consideration, pursuant to the Agreement, the debts owned to Zhongshi (including Phoenix Landmark) by Dragon Landmark as at 31 January 2010 with an aggregate amount of approximately RMB20.2 million shall be applied towards the setting off the debts owned to the JV Partner by each of Phoenix Landmark and Prosperity Landmark as at 31 January 2010 with an aggregate amount of approximately RMB13.3 million. As a result of such debt set-off, the net amount (the “Net Debt Assignment”) payable by the JV Partner to Zhongshi as a result of the assignment of debts shall be approximately RMB6.9 million.

Taking into account the Net Consideration and the Net Debt Assignment, the JV Partner shall pay an aggregate amount of approximately RMB18.2 million to Zhongshi in connection with the Reorganisation under the Agreement.

As stated in the Letter from the Board, the Phoenix Consideration, being RMB10 million, and the Prosperity Consideration, being RMB6.6 million, were determined by the parties after arm’s length negotiations with reference to the respective registered capital in the relevant joint venture company represented by each of the Phoenix Interest and the Prosperity Interest. The Dragon Consideration of RMB27.9 million was determined with reference to the registered capital in Dragon Landmark represented by the Dragon Interest and a premium of approximately 5.7% over the Group’s contribution to such registered capital.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and the reasonableness of the Net Consideration, we have reviewed the adjusted net asset values (the “Adjusted NAV”) attributable to the Phoenix Interest, the Prosperity Interest and the Dragon Interest, which are calculated based on the respective unaudited net asset value attributable to each of the Phoenix Interest, the Prosperity Interest and the Dragon Interest as at 31 January 2010 after adjustment for the respective market value of the Phoenix Project, the Prosperity Project and the Dragon Project as at 31 December 2009 as appraised by B.I. Appraisals Limited. Based on our analysis, the Adjusted NAV of Phoenix Landmark, Prosperity Landmark and Dragon Landmark are approximately RMB79.9 million, RMB50.3 million and RMB45.3 million respectively. Therefore, the net Adjusted NAV attributable to the Phoenix Interest and the Prosperity Interest less the Adjusted NAV attributable to Dragon Interest would be approximately RMB10.2 million. The Net Consideration represents a premium of approximately 11% over such net Adjusted NAV attributable to the Phoenix Interest and the Prosperity Interest less the Adjusted NAV attributable to the Dragon Interest.

We have also discussed with B.I. Appraisals Limited in respect of the valuation method adopted by it in valuing the property interests of Phoenix Landmark, Prosperity Landmark and Dragon Landmark, which are under construction and/or for future development. Based on our discussion, we understand that in valuing such property interests, B.I. Appraisals Limited has adopted the direct comparison method assuming such properties are capable of being sold in existing states with the benefit of vacant possession and by making reference to comparable site transactions and land prices as available in the relevant market. Given that the Phoenix Project is already under construction, B.I. Appraisals Limited has also taken into consideration the latest development proposal of the project, the construction costs that have already been expended and the outstanding construction costs that will be expended to complete the development to reflect the quality of the completed development.

B.I. Appraisals Limited also advised that such direct comparison method of valuation is one of the most commonly used valuation methods for the valuation of the market value of properties under construction and/or pending for future development.

(ii) Adjustment on the Net Debt Assignment

The Agreement stipulates that the Net Price shall be subject to adjustment for any changes in the Net Debt Assignment as at the date of Completion. Any changes in the Net Debt Assignment shall be adjusted by an equivalent amount in the Second Payment as defined below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Terms of payment

The Agreement stipulates that the Net Price shall be payable by the JV Partner to Zhongshi in the following manner:

- (a) RMB3 million (equivalent to approximately HK\$3.4 million) shall be paid upon the signing of the Agreement as deposit (“Deposit”);
- (b) approximately RMB6.1 million (equivalent to approximately HK\$7.0 million) (“First Payment”) shall be paid on or before 28 February 2010; and
- (c) approximately RMB9.1 million (equivalent to approximately HK\$10.4 million) (“Second Payment”), or the remaining balance of the Net Price as adjusted as a result of any change in the amount of debt as described in the paragraph headed “Adjustment on the Net Debt Assignment” above, shall be paid on or before 31 March 2010.

As at the Latest Practicable Date, the Deposit and the First Payment had been paid to the Group.

(iv) Completion

As stated in the Agreement, the parties agreed that the date on which the respective change of the shareholding structure of Phoenix Landmark, Prosperity Landmark and Dragon Landmark is registered by the PRC governmental authority, would be taken as the date of Completion.

In the event that any of the conditions precedent, details of which are set out in the Letter from the Board, is not fulfilled within 90 days after the signing of the Agreement (or such later date as may be agreed between Zhongshi and the JV Partner), the Agreement shall lapse and be of no further effect and no party to the Agreement shall have any claim against or liability to the other parties.

In the event that (i) the JV Partner has failed to pay the First Payment and/or the Second Payment to the Group; or (ii) the Group has discharged its part to procure the fulfilment of conditions precedent (1), (2) and (4), details of which are disclosed under the section headed “Condition precedent and Completion” of the Letter from the Board, and the other conditions precedent are not fulfilled for reasons caused by the JV Partner, the Group has the right to terminate the Agreement and to forfeit the Deposit as compensation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our View

Having considered the above, in particular that the Net Consideration represents a premium over the net Adjusted NAV, we are of the view that the major terms of the Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

(V) Possible financial effects of the Reorganisation

(i) Possible financial effects

As stated in the Letter from the Board, upon Completion, the Company expects to recognize an unaudited accounting gain of approximately RMB1.8 million (equivalent to approximately HK\$2.1 million) as a result of the disposal by the Group of the Dragon Interest, being the difference between (i) the Dragon Consideration of approximately RMB27.9 million and (ii) 80% of the unaudited net asset value of Dragon Landmark as at 31 December 2009 (being approximately RMB26.1 million based on the unaudited net asset value of Dragon Landmark of approximately RMB32.6 million as at 31 December 2009). In addition, as advised by the Company, the shareholders' equity of the Group is expected to increase by the same amount.

Nevertheless, Shareholders should note the final amount of the actual gain or loss as a result of the disposal of the Dragon Interest shall only be ascertained with determination of the Net Debt Assignment, the Net Consideration, and/or incidental transaction costs upon date of Completion and shall be subject to results of audit work to be performed by the auditors of the Company.

As advised by the Company, save for the aforesaid, there will be no material impact on the earnings and the shareholders' equity of the Group immediately upon Completion.

(ii) Working capital

As stated in the Letter from the Board, the Net Price to be received by the Company in connection with the Reorganisation of approximately RMB18.2 million will be used as general working capital of the Group. In this regard, we consider that the Reorganisation is expected to improve the Group's working capital position.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors above, we are of the opinion that (i) the entering into of the Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the Reorganisation is on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders to approve the Reorganization if the Company were to convene a general meeting for the approval of the Reorganization.

Yours faithfully,

For and on behalf of

CIMB Securities (HK) Limited

Alex Lau

Anthony Ng

Director

Senior Vice President

Head of Corporate Finance

The following is a full text of the letter, summary of values and valuation certificate received from B.I. Appraisals Limited, an independent property valuer, prepared for the purpose of inclusion in this circular in connection with their valuation of the property interests of the Project Companies.



B.I. Appraisals Limited **保柏國際評估有限公司**

Registered Professional Surveyors, Valuers & Property Consultants

Unit 1301, 13/F, Tung Wai Commercial Building,
Nos.109-111 Gloucester Road, Wan Chai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

11 March 2010

The Directors
China Chengtong Development Group Limited
Suite 6406, 64th Floor
Central Plaza
18 Harbour Road,
Wanchai
Hong Kong

Dear Sirs,

Re: Three properties held by China Chengtong Development Group Limited and/or its subsidiaries in Zhucheng City, Shandong Province, the People's Republic of China (the "PRC")

In accordance with the instructions from China Chengtong Development Group Limited (hereinafter referred to as the "**Company**") for us to value the captioned properties (details of which are stated in the Summary of Values below, hereinafter referred to as the "**Properties**") held by the Company and/or its subsidiaries (hereinafter collectively referred to as the "**Group**"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of each of the Properties as at 31 December 2009 (hereinafter referred to as the "**Date of Valuation**").

It is our understanding that this valuation document is to be used by the Company for disclosure purpose.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuations, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean “an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

We have valued the Properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

Our valuations have been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION APPROACH AND METHODOLOGY

The property in Group I, which is held under development by the Group, has been valued in accordance with the latest development proposal provided to us and by adopting the Direct Comparison Method assuming such property is capable of being sold in existing state with the benefit of vacant possession and by making reference to comparable site transactions and land prices as available in the relevant market. We have also taken into consideration the construction costs that have already been expended and the outstanding construction costs that will be expended to complete the development to reflect the quality of the completed development.

It is a normal practice to provide, apart from the market value, an opinion on “capital value when completed” for reference. The “capital value when completed” for this property represents our estimate of the value of such property assuming that it would have been completed at the Date of Valuation.

In valuing the properties in Group II, which are held for future development by the Group, we have adopted the Direct Comparison Method assuming such property is capable of being sold in existing state with the benefit of vacant possession and by making reference to comparable site transactions and land prices as available in the relevant market.

VALUATION ASSUMPTIONS

In valuing the Properties, we have assumed that the Group has valid and enforceable title to each of the Properties and that transferable land use rights in respect of each of the Properties for a specific term at normal annual land use fees have been granted with the premium having been fully settled. We have also assumed that the grantee or the user of each of the Properties has free and uninterrupted rights to use, or to assign such property for the whole of the un-expired term as granted.

Our valuations have been made on the assumption that each of the Properties is sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the property interest and no forced sale situation in any manner is assumed in our valuations.

We have further assumed that all consents, approvals and licences from relevant government authorities have been granted without onerous conditions or undue time delay, which might affect their values.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their values.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents relating to the Properties and a copy of the legal opinion dated 1 March 2010 regarding the title to and the interest of the Group in the Properties and prepared by Hylands Law Firm, the Company's legal adviser as to PRC laws. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents have been used for reference only.

In the course of our valuations, we have relied on the advices given by the Company and Hylands Law Firm regarding the title to and the interest of the Group in the Properties. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Properties that is assumed to be good and marketable.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Properties. We are, therefore, not able to report that the Properties are free from rot, infestation or any other structural defects. Yet, in the course of our inspections, we did not note any serious defects.

We have not conducted any on-site measurement to verify the correctness of the site and floor areas of the Properties but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any future development.

We have relied to a considerable extent on the information provided by the Company and the advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposal, site and floor areas and all other relevant matters in the identification of the Properties. We have not seen original planning consents and have assumed that the Properties are erected, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, the Properties or the values reported herein.

Our valuations are summarized below and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED

William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 December 2009 (RMB)
Group I — Property held under development by the Group in the PRC	
1. 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	161,000,000
Group II — Properties held for future development by the Group in the PRC	
2. 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	68,000,000
3. 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	<u>78,000,000</u>
Total:	<u><u>307,000,000</u></u>

VALUATION CERTIFICATE

Group I – Property held under development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009
1. 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	<p>The property is a parcel of land with a site area of approximately 146,006.00 sq.m. (1,571,609 sq.ft.) (See Note 1 below) located on the northern side of Mizhou West Road-Eastern Section in Zhucheng City.</p> <p>It is planned to be developed into a residential complex known as 香榭里 (Xiang Xie Li) and comprising 32 blocks of low to high-rise residential buildings with communal, shopping and car parking facilities. There are 1,657 and 4,076 bays for the parking of motor vehicles and non-motor vehicles respectively.</p>	The property is currently subject to construction works.	RMB161,000,000

The total planned gross floor area of the property is approximately 258,684 sq.m. (2,784,475 sq.ft.) plus the basement floor area of approximately 46,779 sq.m. (503,529 sq.ft.). Details of the gross floor area for the superstructure of the proposed development are shown as follows:

Usage	Approximate Gross Floor Area	
	(sq.m.)	(sq.ft.)
Residential	238,438	2,566,547
Commercial	16,146	173,796
Facilities	1,600	17,222
Kindergarten	2,500	26,910
Sub-total	<u>258,684</u>	<u>2,784,475</u>

The first phase development, comprising a site area of approximately 48,897 sq.m. (526,327 sq.ft.), is planned to have 15 blocks of 4 to 9-storey residential building and 3 blocks of 2-storey commercial building together with 155 and 604 bays for the parking of motor vehicles and non-motor vehicles respectively.

VALUATION CERTIFICATE

Group I – Property held under development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009
----------	------------------------	--------------------------	---

The total gross floor area of the first phase development is approximately 46,424 sq.m. (499,708 sq.ft.) plus basement floor area of approximately 6,373 sq.m. (68,599 sq.ft.). Details of the gross floor area for the first phase development are shown as follows:

Usage	Approximate Gross Floor Area	
	(sq.m.)	(sq.ft.)
<u>Superstructure</u>		
Residential	41,088	442,271
Commercial	5,336	57,437
Sub-total	46,424	499,708
<u>Basement</u>		
Commercial	1,638	17,631
Storage	4,735	50,968
Sub-total	6,373	68,599

Construction of the first phase development has just begun and is expected to be completed in early 2011.

The land use right of the property has been granted for residential use for a term due to expire on 15 May 2079.

Notes:

- (1) It is our understanding that the subject parcel of land is the combined site of two plots of land previously known as Lot No. 2008-10-01 and Lot No. 2008-11-01 with site areas of 133,333.00 sq.m. and 12,673.00 sq.m. respectively.

- (2) Pursuant to the Contract for Grant of State-owned Construction Land Use Right (Contract No. Zhucheng-01-2009-0015) dated 8 May 2009 entered into between 諸城市國土資源局 (unofficial translation as Zhucheng City State-owned Land Resources Bureau) and 諸城鳳凰置地有限公司 (Zhucheng Phoenix Landmark Company Limited, hereinafter referred to as “Phoenix Landmark”), the land use right of the property was agreed to be granted to Phoenix Landmark. Major conditions of the said contract are summarized as follows:
- (a) Site Area : 146,006.00 sq.m.;
 - (b) Term of land use right : 70 years from 16 May 2009;
 - (c) Permitted use : Residential;
 - (d) Land grant premium : RMB121,199,432;
 - (e) Total gross floor area : 255,500.00 sq.m.
 - (f) Plot ratio : ≤ 2.50 ;
 - (g) Site coverage : $\leq 25\%$;
 - (h) Height restriction : 75 metres;
 - (i) Green land ratio : $\geq 35\%$;
 - (j) Flat size restriction : Not less than 70% of the total gross floor area shall be designed for flats less than 90 sq.m. each;
 - (k) Payment term : The land grant premium shall be paid in a lump sum within 30 days from the date of signing the contract;
 - (l) Total investment : Not less than RMB600,000,000;
 - (m) Construction period : Construction shall commence on or before 15 November 2009 and shall be completed on or before 15 November 2012.
- (3) Pursuant to the Certificate of State-owned Land Use 諸國用(2009)第01016號 (Zhu Guo Yong (2009) No. 01016) dated 26 May 2009 issued by Zhucheng City People’s Government, the land use right of the property with a site area of 146,006 sq.m. has been granted to Phoenix Landmark for a term due to expire on 15 May 2079 for residential use.
- (4) Pursuant to the Co-operative Agreement dated 4 July 2008 entered into amongst 中實投資有限責任公司 (unofficial translation as Zhongshi Investment Company Limited, hereinafter referred to as “Zhongshi”), 北京世紀尊博投資有限公司 (unofficial translation as Beijing Century Zun Bo Investment Co., Ltd., hereinafter referred to as “Century Zun Bo”) and Yu Bing Han, all three parties agreed to take part in the tender of land use rights of three parcels of land (including the subject property) in Zhucheng City. Major terms and conditions of the Co-operative Agreement are summarized as follows:
- (a) Zhongshi and Century Zun Bo agreed to engage Yu Bing Han to act as their agent to bid the land use rights of the relevant parcels of land.
 - (b) Yu Bing Han agreed to take part in the bidding of the land use rights of the relevant parcels of land in accordance with the work arrangements and instructions of Zhongshi and Century Zun Bo.
 - (c) Zhongshi shall have the right of ultimate decision (which shall not be detrimental to Century Zun Bo’s interest).

- (d) The total capital investment will be RMB250,000,000 to be contributed respectively by Zhongshi (80%) and Century Zun Bo (20%).
 - (e) Upon successful bidding of the land use right (of the property), Yu Bing Han shall not have any actual interest therein and shall not demand for any fee payment.
 - (f) Upon obtaining the land use right (of the property), Zhongshi and Century Zun Bo shall set up a company to undertake the development project. The capital investment shall be in cash and shall be in a ratio of 80% (Zhongshi) and 20% (Century Zun Bo).
- (5) Pursuant to the Supplementary Agreement of Co-operative Agreement dated 17 July 2008 entered into between Zhongshi and Century Zun Bo, both parties agreed to the following terms and conditions:
- (a) To inject the necessary capital in the method and timing as stated in the Co-operative Agreement;
 - (b) To inject the capital timely in accordance with the payment schedule for the land transaction; and
 - (c) A compensation of RMB5,000,000, apart from the corresponding late payment penalty, will have to be paid by any party who fails to inject the relevant capital timely to its counter.
- (6) We have been advised that Zhongshi is an indirect wholly owned subsidiary of the Company and that Century Zun Bo and Yu Bing Han are independent third parties.
- (7) Pursuant to the Land Development Agreement entered into amongst Zhongshi, Century Zun Bo and Phoenix Landmark on 19 August 2008, all three parties agreed the terms and conditions for the development of the property, the details of which are summarized as follows:
- (a) Phoenix Landmark will obtain the land use rights of the property by entering into the relevant Contract for Grant of State-owned Land Use Rights and will be responsible for the investment and development of the property.
 - (b) The relevant portions of the land grant premium paid respectively by Zhongshi and Century Zun Bo will become the amounts payable by Phoenix Landmark (hereinafter referred to as the "Payable") upon the issue of the relevant Certificate of State-owned Land Use to Phoenix Landmark.
 - (c) The relevant portions of land grant premium to be paid by the respective parties are RMB107,848,332 and RMB16,987,083.
 - (d) The Payable shall be settled by Phoenix Landmark in full within three years from the date of issue of the Certificate of State-owned Land Use.
 - (e) Interests shall be charged to the Payable before its settlement. The interest rate for the 1st year shall be 10% and those for the subsequent years shall to be agreed between the relevant parties but at a rate of not less than 10%.
- (8) We have been advised that Phoenix Landmark is an indirect 80%-owned subsidiary of the Company.
- (9) Pursuant to copies of official receipts provided by the Company, the land grant premium for the property has been settled in full.

- (10) Pursuant to the Planning Permit for Use of Construction Land 地字第37 07822009C0017號 (Di Zi No. 37 07822009C0017) dated 28 April 2009 issued by Zhucheng Municipal Planning Bureau, the Proposed Development is in compliance with the planning requirements.
- (11) We have been advised by the Company that the property was acquired in September 2008 at a total cost of acquisition of approximately RMB124,835,415 and that the total estimated costs to develop the property is approximately RMB617,000,000, of which an amount of approximately RMB3,700,000 has already been expended as at 31 December 2009.
- (12) The capital value when completed of the property is approximately RMB1,038,000,000.
- (13) The opinion of Hylands Law Firm dated 1 March 2010 is summarized as below:
- (a) Phoenix Landmark is a duly formed limited company in the PRC.
 - (b) The Co-operative Agreement and its supplementary agreement (mentioned in Notes 4 and 5 above) and the Land Development Agreement (mentioned in Note 7 above) are in compliance with the PRC laws.
 - (c) Having obtained the Certificate of State-owned Land Use, Phoenix Landmark is in possession of a proper legal title to the property and is entitled to develop the property in accordance with the relevant procedure and conditions.
 - (d) Phoenix Landmark should obtain the Commencement Permit for Construction Works before commencement of the construction works, otherwise the authority, under the relevant laws, may order for rectification, or for suspension of construction works (for those works being not in compliance with the commencement conditions) and for payment of fine. Besides, it is not possible from a legal point of view to confirm the exact date of commencement without a Commencement Permit for Construction Works.
- (14) We have relied on the information provided by the Company and the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (a) Phoenix Landmark is in possession of the proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.
 - (b) All consents, approvals, required licences, permits, certificates and authorizations have been obtained for the development of the property.
 - (c) The property will be developed in accordance with the latest development proposal provided.
 - (d) The property may be disposed of freely to third party purchaser.
- (15) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the opinion of Hylands Law Firm are as follows:
- | | |
|---|-----|
| Contract for Grant of State-owned Construction Land Use Right | Yes |
| Planning Permit for Use of Construction Land | Yes |
| Certificate of State-owned Land Use | Yes |
| Certificate of Building/Real Estate Ownership | No |

VALUATION CERTIFICATE

Group II – Properties held for future development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009
2. 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	<p>The property comprises a parcel of land designated as No. 03231002 (previously known as Lot No. 2008-10-02) with a site area of approximately 73,331.00 sq.m. (789,335 sq.ft.). It is located on the eastern side of Heping Street – Northern Section in Zhucheng City.</p> <p>It is permitted to be developed for residential use with a gross floor area of approximately 205,300.00 sq.m. (2,209,849 sq.ft.).</p> <p>The land use right of the property has been granted for residential use for a term due to expire on 8 May 2079.</p>	The property is currently a site to be developed.	RMB68,000,000

Notes:

- (1) Pursuant to the Contract for Grant of State-owned Construction Land Use Right (Contract No. Zhucheng-01-2009-0013) dated 8 May 2009 entered into between Zhucheng City State-owned Land Resources Bureau and 諸城港龍置地有限公司 (Zhucheng Dragon Landmark Company Limited, hereinafter referred to as “Dragon Landmark”), the land use right of the property was agreed to be granted to Dragon Landmark. Major conditions of the said contract are summarized as follows:

- | | | | |
|-----|------------------------|---|---|
| (a) | Site Area | : | 73,331.00 sq.m.; |
| (b) | Term of land use right | : | 70 years from 9 May 2009; |
| (c) | Permitted use | : | Residential; |
| (d) | Land grant premium | : | RMB53,398,058; |
| (e) | Total gross floor area | : | 205,300.00 sq.m. |
| (f) | Plot ratio | : | ≤ 2.80; |
| (g) | Site coverage | : | ≤ 25%; |
| (h) | Green land ratio | : | ≥ 35%; |
| (i) | Flat size restriction | : | Not less than 70% of the total gross floor area shall be designed for flats less than 90 sq.m. each; |
| (j) | Payment term | : | The land grant premium shall be paid in a lump sum within 30 days from the date of signing the contract; |
| (k) | Total investment | : | Not less than RMB500,000,000; |
| (l) | Construction period | : | Construction shall commence on or before 1 November 2009 and shall be completed on or before 1 November 2012. |

- (2) Pursuant to the Certificate of State-owned Land Use 諸國用(2009)第03028號 (Zhu Guo Yong (2009) No. 03028) dated 26 May 2009 issued by Zhucheng City People's Government, the land use right of the property with a site area of 73,331 sq.m. has been granted to Dragon Landmark for a term due to expire on 8 May 2079 for residential use.
- (3) Pursuant to the Co-operative Agreement dated 4 July 2008 entered into amongst Zhongshi Investment Company Limited ("Zhongshi"), Beijing Century Zun Bo Investment Co., Ltd. ("Century Zun Bo") and Yu Bing Han, all three parties agreed to take part in the tender of land use rights of three parcels of land (including the subject property) in Zhucheng City. Major terms and conditions of the Co-operative Agreement are summarized as follows:
 - (a) Zhongshi and Century Zun Bo agreed to engage Yu Bing Han to act as their agent to bid the land use rights of the relevant parcels of land.
 - (b) Yu Bing Han agreed to take part in the bidding of the land use rights of the relevant parcels of land in accordance with the work arrangements and instructions of Zhongshi and Century Zun Bo.
 - (c) Zhongshi shall have the right of ultimate decision (which shall not be detrimental to Century Zun Bo's interest).
 - (d) The total capital investment will be RMB250,000,000 to be contributed respectively by Zhongshi (80%) and Century Zun Bo (20%).
 - (e) Upon successful bidding of the land use right (of the property), Yu Bing Han shall not have any actual interest therein and shall not demand for any fee payment.
 - (f) Upon obtaining the land use right (of the property), Zhongshi and Century Zun Bo shall set up a company to undertake the development project. The capital investment shall be in cash and shall be in a ratio of 80% (Zhongshi) and 20% (Century Zun Bo).
- (4) Pursuant to the Supplementary Agreement of Co-operative Agreement dated 17 July 2008 entered into between Zhongshi and Century Zun Bo, both parties agreed to the following terms and conditions:
 - (a) To inject the necessary capital in the method and timing as stated in the Co-operative Agreement;
 - (b) To inject the capital timely in accordance with the payment schedule for the land transaction; and
 - (c) A compensation of RMB5,000,000, apart from the corresponding late payment penalty, will have to be paid by any party who fails to inject the relevant capital timely to its counter.
- (5) We have been advised that Zhongshi is an indirect wholly owned subsidiary of the Company and that Century Zun Bo and Yu Bing Han are independent third parties.

- (6) Pursuant to the Land Development Agreement entered into amongst Zhongshi, Century Zun Bo and Dragon Landmark on 19 August 2008, all three parties agreed the terms and conditions for the development of the property, the details of which are summarized as follows;
- (a) Dragon Landmark will obtain the land use rights of the property by entering into the relevant Contract for Grant of State-owned Land Use Rights and will be responsible for the investment and development of the property.
 - (b) The relevant portions of the land grant premium paid respectively by Zhongshi and Century Zun Bo will become the amounts payable by Dragon Landmark (hereinafter referred to as the “Payable”) upon the issue of the relevant Certificate of State-owned Land Use to Dragon Landmark.
 - (c) The relevant portions of land grant premium to be paid by the respective parties are RMB47,850,000 and RMB7,150,000.
 - (d) The Payable shall be settled by Dragon Landmark in full within three years from the date of issue of the Certificate of State-owned Land Use.
 - (e) Interests shall be charged to the Payable before its settlement. The interest rate for the 1st year shall be 10% and those for the subsequent years shall to be agreed between the relevant parties but at a rate of not less than 10%.
- (7) We have been advised that Dragon Landmark is an indirect 80%-owned subsidiary of the Company.
- (8) Pursuant to copies of official receipts provided by the Company, the land grant premium for the property has been settled in full.
- (9) Pursuant to the Planning Permit for Use of Construction Land 地字第37 07822009C0020號 (Di Zi No. 37 07822009C0020) dated 29 April 2009 issued by Zhucheng Municipal Planning Bureau, the Proposed Development is in compliance with the planning requirements.
- (10) The opinion of Hylands Law Firm dated 1 March 2010 is summarized as below:
- (a) Dragon Landmark is a duly formed limited company in the PRC.
 - (b) The Co-operative Agreement and its supplementary agreement (mentioned in Notes 3 and 4 above) and the Land Development Agreement (mentioned in Note 6 above) are in compliance with the PRC laws.
 - (c) Having obtained the Certificate of State-owned Land Use, Dragon Landmark is in possession of a proper legal title to the property and is entitled to develop the property in accordance with the relevant procedure and conditions.
 - (d) Dragon Landmark will be held responsible for the legal liabilities on being not able to commence construction works in accordance with the Contract for Grant of State-owned Land Use. The liabilities may include payment of fine on idle land, charge on breach of contract, etc. If such idle persists for two years, Zhucheng City State-owned Land Resources Bureau might re-enter the land for no compensation.

- (11) We have relied on the information provided by the Company and prepared our valuation on the following assumptions:
 - (a) Dragon Landmark is in possession of the proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.
 - (b) All consents, approvals, required licences, permits, certificates and authorizations will be obtained for the development and use of the property.
 - (c) The property, whether as a whole or in part, may be disposed of freely to third party purchaser.

- (12) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the opinion of Hylands Law Firm are as follows:

Contract for Grant of State-owned Construction Land Use Right	Yes
Planning Permit for Use of Construction Land	Yes
Certificate of State-owned Land Use	Yes
Certificate of Building/Real Estate Ownership	No

VALUATION CERTIFICATE

Group II – Properties held for future development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2009
<p>3. 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</p>	<p>The property comprises a parcel of land designated as No. 010141-2-1 (previously known as Lot No. 2008-10-03), with a site area of approximately 99,599.00 sq.m. (1,072,083 sq.ft.). It is located on the northern side of Fanrong West Road – Western Section in Zhucheng City.</p> <p>According to the planning requirements, the property is sub-divided into two portions designated as A-1 (for residential use) and A-2 (for commercial and residential uses) with respective site areas of 80,853.00 sq.m. (870,302 sq.ft.) and 18,746.00 sq.m. (201,782 sq.ft.).</p> <p>A-1 is permitted to be developed for residential use with a permitted plot ratio of not more than 1.5, i.e., a maximum gross floor area of approximately 121,279.50 sq.m. (1,305,453 sq.ft.); whereas A-2 is permitted for commercial and residential uses with a permitted plot ratio of not more than 2, i.e., a maximum gross floor area of approximately 37,492.00 sq.m. (403,564 sq.ft.).</p> <p>The land use rights of the property have been granted for commercial / services and residential uses for terms due to expire on 15 April 2049 and 15 April 2079 respectively.</p>	<p>The property is currently a site to be developed.</p>	<p>RMB78,000,000</p>

Notes:

- (1) Pursuant to the Contract for Grant of State-owned Construction Land Use Right (Contract No. Zhucheng-01-2009-0004) dated 16 April 2009 entered into between Zhucheng City State-owned Land Resources Bureau and 諸城泰豐置地有限公司 (Zhucheng Prosperity Land Company Limited, hereinafter referred to as “Prosperity Landmark”), the land use rights of the property were agreed to be granted to Prosperity Landmark. Major conditions of the said contract are summarized as follows:
- (a) Site Area : 99,599.00 sq.m.;
 - (b) Term of land use right : 40 years and 70 years from 16 April 2009 for commercial/services uses and for residential use respectively;
 - (c) Permitted uses : Residential and commercial / services;
 - (d) Land grant premium : RMB58,018,834.95
 - (e) Flat size restriction : Not less than 70% of the total gross floor area shall be designed for flats less than 90 sq.m. each;
 - (f) Payment term : The land grant premium shall be paid in a lump sum within 30 days from the date of signing the contract;
 - (g) Total investment : Not less than RMB350,000,000;
 - (h) Construction period : Construction shall commence on or before 1 October 2009 and shall be completed on or before 1 October 2012.
- (2) Pursuant to Appendix 3 attached to the Contract for Grant of State-owned Construction Land Use Right (Contract No. Zhucheng-01-2009-0004), the property is also subject to, apart from the major conditions mentioned in Note 1, the following planning requirements:
- (a) Permitted uses : Residential for A-1 and commercial / services for A-2;
 - (b) Plot ratio : ≤ 1.5 for A-1 and ≤ 2.0 for A-2;
 - (c) Site coverage : $\leq 25\%$;
 - (d) Green land ratio : $\geq 35\%$ for A-1 and $\geq 30\%$ for A-2;
- (3) Pursuant to the Certificate of State-owned Land Use 諸國用(2009)第01010號 (Zhu Guo Yong (2009) No. 01010) dated 30 April 2009 issued by Zhucheng City People’s Government, the land use rights of the property with a site area of 99,599 sq.m. have been granted to Prosperity Landmark for terms due to expire on 15 April 2049 and 15 April 2079 for commercial / services and residential uses respectively.

- (4) Pursuant to the Co-operative Agreement dated 4 July 2008 entered into amongst Zhongshi Investment Company Limited (“Zhongshi”), Beijing Century Zun Bo Investment Co., Ltd. (“Century Zun Bo”) and Yu Bing Han, all three parties agreed to take part in the tender of land use rights of three parcels of land (including the subject property) in Zhucheng City. Major terms and conditions of the Co-operative Agreement are summarized as follows:
- (a) Zhongshi and Century Zun Bo agreed to engage Yu Bing Han to act as their agent to bid the land use rights of the relevant parcels of land.
 - (b) Yu Bing Han agreed to take part in the bidding of the land use rights of the relevant parcels of land in accordance with the work arrangements and instructions of Zhongshi and Century Zun Bo.
 - (c) Zhongshi shall have the right of ultimate decision (which shall not be detrimental to Century Zun Bo’s interest).
 - (d) The total capital investment will be RMB250,000,000 to be contributed respectively by Zhongshi (80%) and Century Zun Bo (20%).
 - (e) Upon successful bidding of the land use right (of the property), Yu Bing Han shall not have any actual interest therein and shall not demand for any fee payment.
 - (f) Upon obtaining the land use right (of the property), Zhongshi and Century Zun Bo shall set up a company to undertake the development project. The capital investment shall be in cash and shall be in a ratio of 80% (Zhongshi) and 20% (Century Zun Bo).
- (5) Pursuant to the Supplementary Agreement of Co-operative Agreement dated 17 July 2008 entered into between Zhongshi and Century Zun Bo, both parties agreed to the following terms and conditions:
- (a) To inject the necessary capital in the method and timing as stated in the Co-operative Agreement;
 - (b) To inject the capital timely in accordance with the payment schedule for the land transaction; and
 - (c) A compensation of RMB5,000,000, apart from the corresponding late payment penalty, will have to be paid by any party who fails to inject the relevant capital timely to its counter.
- (6) Pursuant to the Co-operative Agreement dated 4 July 2008 entered into amongst Zhongshi Investment Company Limited (“Zhongshi”), Beijing Century Zun Bo Investment Co., Ltd. (“Century Zun Bo”) and Yu Bing Han, all three parties agreed to take part in the tender of land use rights of three parcels of land (including the subject property) in Zhucheng City. Major terms and conditions of the Co-operative Agreement are summarized as follows:
- (7) We have been advised that Zhongshi is an indirect wholly owned subsidiary of the Company and that Century Zun Bo and Yu Bing Han are independent third parties.

- (8) Pursuant to the Land Development Agreement entered into amongst Zhongshi, Century Zun Bo and Prosperity Landmark on 19 August 2008, all three parties agreed the terms and conditions for the development of the property, the details of which are summarized as follows:
- (a) Prosperity Landmark will obtain the land use rights of the property by entering into the relevant Contract for Grant of State-owned Land Use Rights and will be responsible for the investment and development of the property.
 - (b) The relevant portions of the land grant premium paid respectively by Zhongshi and Century Zun Bo will become the amounts payable by Prosperity Landmark (hereinafter referred to as the “Payable”) upon the issue of the relevant Certificate of State-owned Land Use to Prosperity Landmark.
 - (c) The relevant portions of land grant premium to be paid by the respective parties are RMB51,990,678 and RMB7,768,722.
 - (d) The Payable shall be settled by Prosperity Landmark in full within three years from the date of issue of the Certificate of State-owned Land Use.
 - (e) Interests shall be charged to the Payable before its settlement. The interest rate for the 1st year shall be 10% and those for the subsequent years shall to be agreed between the relevant parties but at a rate of not less than 10%.
- (9) We have been advised that Prosperity Landmark is an indirect 80%-owned subsidiary of the Company.
- (10) Pursuant to copies of official receipts provided by the Company, the land grant premium for the property has been settled in full.
- (11) Pursuant to the Planning Permit for Use of Construction Land 地字第37 07822009C0010號 (Di Zi No. 37 07822009C0010) dated 10 April 2009 issued by Zhucheng Municipal Planning Bureau, the proposed development is in compliance with the planning requirements.
- (12) The opinion of Hylands Law Firm dated 1 March 2010 is summarized as below:
- (a) Prosperity Landmark is a duly formed limited company in the PRC.
 - (b) The Co-operative Agreement and its supplementary agreement (mentioned in Notes 4 and 5 above) and the Land Development Agreement (mentioned in Note 8 above) are in compliance with the PRC laws.
 - (c) Having obtained the Certificate of State-owned Land Use, Prosperity Landmark is in possession of a proper legal title to the property and is entitled to develop the property in accordance with the relevant procedure and conditions.
 - (d) Prosperity Landmark will be held responsible for the legal liabilities on being not able to commence construction works in accordance with the Contract for Grant of State-owned Land Use. The liabilities may include payment of fine on idle land, charge on breach of contract, etc. If such idle persists for two years, Zhucheng City State-owned Land Resources Bureau might re-enter the land for no compensation.

(13) We have relied on the information provided by the Company and the aforesaid legal opinion and prepared our valuation on the following assumptions:

- (a) Prosperity Landmark is in possession of the proper legal title to the property and is entitled to transfer the property with the residual term of its land use rights at no extra land premium or other onerous payment payable to the government.
- (b) All consents, approvals, required licences, permits, certificates and authorizations will be obtained for the development and use of the property.
- (c) The property may be disposed of freely to third party purchaser.

(14) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the opinion of Hylands Law Firm are as follows:

Contract for Grant of State-owned Construction Land Use Right	Yes
Planning Permit for Use of Construction Land	Yes
Certificate of State-owned Land Use	Yes
Certificate of Building/Real Estate Ownership	No

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
Zhang Guotong	Beneficial owner	365	0.000009%
Gu Laiyun	Beneficial owner	3,867,707	0.093%
Xu Zhen	Beneficial owner	725,196	0.017%

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (c) As at the Latest Practicable Date,
- (i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up; and
- (ii) none of the Directors was materially interested in contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

- (a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest
World Gain Holdings Limited	beneficial owner (Note 2)	2,286,343,570 (L)	54.78%
China Chengtong Hong Kong Company Limited	controlled corporation (Note 2)	2,286,343,570 (L)	54.78%
	beneficial owner (Note 3)	705,539,557 (L)	16.91%
China Chengtong Holdings Group Limited	controlled corporation (Note 2)	2,991,883,127 (L)	71.69%

Notes:

- The letter "L" represents the entity's interest in the Shares.
- The entire issued share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited, the entire issued share capital of which is beneficially owned by China Chengtong Holdings Group Limited. Both of China Chengtong Hong Kong Company Limited and China Chengtong Holdings Group Limited are deemed to be interested in all the Shares held by World Gain Holdings Limited under the SFO.
- These Shares represent the consideration shares which may fall to be allotted and issued to China Chengtong Hong Kong Company Limited upon completion of the Second SP Agreement (as defined in the circular of the Company dated 29 November 2008).

- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following entities were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group:

Name of subsidiary	Name of shareholder	Number of shares/ Amount of registered capital	Approximate percentage of interest
China-eDN.com Limited	Diagonal Trading Limited	2,000,000 shares of HK\$1 each	20%
Dragon Landmark	The JV Partner	Registered capital of RMB20,000,000	20%
Phoenix Landmark	The JV Partner	Registered capital of RMB20,000,000	20%
Prosperity Landmark	The JV Partner	Registered capital of RMB20,000,000	20%

- (c) Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the latest published audited accounts of the Company were made up.

6. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. EXPERT

The following is the qualification of the expert who has given its respective opinion or advice which are contained in this circular:

Name	Qualification
CIMB	A licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
B.I. Appraisals Limited	Registered professional surveyors

Each of CIMB and B.I. Appraisals Limited has given and has not withdrawn their respective written consent to the issue of this circular with the inclusion of their respective letter or report and reference to their respective name in the form and context in which it appears.

As at the Latest Practicable Date, neither CIMB nor B.I. Appraisals Limited had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither CIMB nor B.I. Appraisals Limited had any direct or indirect interests in any assets which have been, since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

- (1) The registered and head office of the Company is located at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (2) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (3) The company secretary of the Company is Ms. Lei Ching, *FCCA, ICSA, HKICS*.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 25 March 2010:

- (a) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on page 12 of this circular;
- (b) the letter of advice from the Independent Financial Adviser, the text of which is set out in page 13 to 26 of this circular; and
- (c) the Agreement.