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 ("**Company**"), you should at once hand this circular together with the enclosed form of proxy 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.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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)

MAJOR ACQUISITION AND CONNECTED TRANSACTION AND NOTICE OF EGM

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

CIMB Securities (HK) Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of the circular.

A letter from the Board is set out on pages 1 to 27 of this circular. A letter from the Independent Board Committee is set out on page 28 of this circular. A letter from CIMB containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 48 of this circular.

A notice convening the EGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, on Tuesday, 18 October 2011 at 10:00 a.m. is set out on pages 151 to 152 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

30 September 2011

CONTENT

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

"Acquisition"	the transactions contemplated under the Acquisition Agreement
"Acquisition Agreement"	the Original Acquisition Agreement, as supplemented by the Supplemental Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI Company"	Huandao International Limited, a company incorporated in the British Virgin Islands and the holding company of HK Company
"CCHG"	China Chengtong Holdings Group Limited, the holding company of CCHK, is a state-owned enterprise established in the PRC and directly supervised and owned by the State-owned Assets Supervision and Administration Commission of the State Council on behalf of the Central People's Government of the PRC
"CCHG Related Companies"	collectively, CCHG and any company(ies) held as to 20% or more by CCHG
"CCHK"	China Chengtong Hong Kong Company Limited, the holding company of World Gain, a controlling Shareholder (as defined in the Listing Rules) of the Company
"CIMB"	CIMB Securities (HK) Limited, a corporation licensed to carry on type 1 (dealings in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder
"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
"Consideration"	the consideration to be payable by the Company pursuant to the Acquisition Agreement (subject to adjustment)
"Consideration Shares"	the Shares to be allotted and issued, credited as fully paid, to CCHK upon completion of the Acquisition Agreement
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting to be convened by the Company for the purposes of considering and, if thought fit, approving the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group following completion of the Acquisition
"Group"	the Company and its subsidiaries from time to time
"HK Company"	China Huandao Group Hong Kong Limited, a company incorporated in Hong Kong and shall act as the holding company of Travel Investment pursuant to the Acquisition Agreement
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huandao Gold"	海南寰島金行有限公司 (unofficial translation as Hainan Huandao Gold Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Travel Investment as at the Latest Practicable Date
"Huandao Group"	中國寰島(集團)公司 (unofficial translation as China Huandao (Group) Co.), a company established in the PRC and is wholly-owned by CCHG as at the Latest Practicable Date
"Huandao Nanfang"	寰島南方實業發展有限公司 (unofficial translation as Huandao Nanfang Industrial Development Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Huandao Group as at the Latest Practicable Date

"Huandao Travel Agency"	海南寰島國際旅行社有限公司 (unofficial translation as Hainan Huandao International Travel Agency Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Taide Hotel as at the Latest Practicable Date
"Independent Board Committee"	the independent board committee of the Company formed by the Company to advise the Independent Shareholders as to whether the terms of the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and whether the Acquisition are in the interests of the Company and the Shareholders as a whole
"Independent Shareholders"	Shareholders who are not involved or interested in the Acquisition
"Latest Practicable Date"	23 September 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Last Trading Day"	26 July 2011, being the last full trading day before the release of the announcement dated 27 July 2011 issued by the Company in relation to the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Marine Use Right"	the marine use right (海域使用權) granted by relevant PRC regulatory authority to Underwater World for use of the underwater district of 三亞珊瑚礁國家級保護區 (unofficial translation as Sanya Coral Reefs National Reserve), the validity period of which is to be renewed by Underwater World
"Ocean World"	陵水清水灣寰島海洋世界旅遊有限公司 (unofficial translation as Lingshui Clearwater Bay Huandao Ocean World Travel Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Underwater World Hotel as at the Latest Practicable Date

"Original Acquisition Agreement"	the sale and purchase agreement dated 27 July 2011 and entered into between the Company, CCHK and CCHG in relation to the Acquisition by the Company of the entire issued share capital of BVI Company
"PRC"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Second SP Agreement"	has the meaning as defined in the circular of the Company dated 29 November 2008
"Share(s)"	the share(s) of par value of HK$0.10 each in the capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 29 August 2011 and entered into between the Company, CCHK and CCHG to amend certain terms of the Original Acquisition Agreement
"Taide Hotel"	海南寰島泰得酒店物業管理有限公司 (unofficial translation as Hainan Huandao Taide Hotel Property Management Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Huandao Group as at the Latest Practicable Date
"Travel Investment"	海南寰島酒店旅遊投資有限公司 (unofficial translation as Hainan Huandao Hotel Travel Investment Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by CCHG as at the Latest Practicable Date

"Travel Investment Companies"	collectively, Travel Investment, Huandao Gold, Underwater World, Underwater World Hotel and Ocean World, and for the avoidance of doubt, shall not include Huandao Travel Agency
"Underwater World"	海南亞龍灣海底世界旅遊有限公司 (unofficial translation as Hainan Yalong Bay Underwater World Travel Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Travel Investment as at the Latest Practicable Date
"Underwater World Hotel"	海南寰島海底世界酒店有限公司 (unofficial translation as Hainan Huandao Underwater World Hotel Co., Ltd.), a limited liability company established in the PRC and is wholly-owned by Travel Investment as at the Latest Practicable Date
"World Gain"	World Gain Holdings Limited, a controlling Shareholder (as defined in the Listing Rules) of the Company and a wholly-owned subsidiary of CCHK
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

Unless the context requires otherwise, translation of RMB into HK$ are made, for illustration purpose only, at the rate of RMB1=HK$1.2. No representation is made that any amounts in RMB or HK$ could have been or could be converted at the above rate or at any rate at all.

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:
Zhang Guotong *(Chairman)*
Yuan Shaoli *(Vice Chairman)*
Wang Hongxin *(Managing Director)*
Wang Tianlin *(Deputy General Manager)*

Independent non-executive Directors:
Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Ba Shusong

Registered Office and principal place of the business in Hong Kong:
Suite 6406, 64th Floor
Central Plaza, 18 Harbour Road
Wanchai
Hong Kong

To the Shareholders

30 September 2011

Dear Sir or Madam

MAJOR ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

On 27 July 2011, the Board announced that on 27 July 2011, the Company entered into the Original Acquisition Agreement with CCHK and CCHG, which was supplemented by the Supplemental Agreement to the Original Acquisition Agreement entered into by the same parties on 29 August 2011. Details of the Acquisition Agreement are set out below. The transactions contemplated under the Acquisition Agreement constitute a major acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements. The Acquisition will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

The purpose of this circular is to give you (a) further information regarding, among others, the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder; (b) the letter of advice from CIMB to advise the Independent Board Committee and the Independent Shareholders; (c) the recommendation of the Independent Board Committee to the Independent Shareholders; and (d) notice of the EGM.

THE ACQUISITION

On 27 July 2011, the Company entered into the Original Acquisition Agreement with CCHK and CCHG. On 29 August 2011, the Company, CCHK and CCHG also entered into the Supplemental Agreement to (i) revise the list of companies to be acquired by excluding one of the Travel Investment Companies, namely Huandao Travel Agency; (ii) revise the amount of the Consideration to reflect the exclusion of Huandao Travel Agency from the list of companies to be acquired; and (iii) amend certain adjustment mechanism of the Consideration. Details of the Acquisition Agreement (i.e. the Original Acquisition Agreement, as supplemented by the Supplemental Agreement) are set out below.

THE ACQUISITION AGREEMENT

Date of the Original Acquisition Agreement: 27 July 2011

Date of the Supplemental Agreement: 29 August 2011

Parties:

(1) The Company, as purchaser;

(2) CCHK, as vendor; and

(3) CCHG, as warrantor.

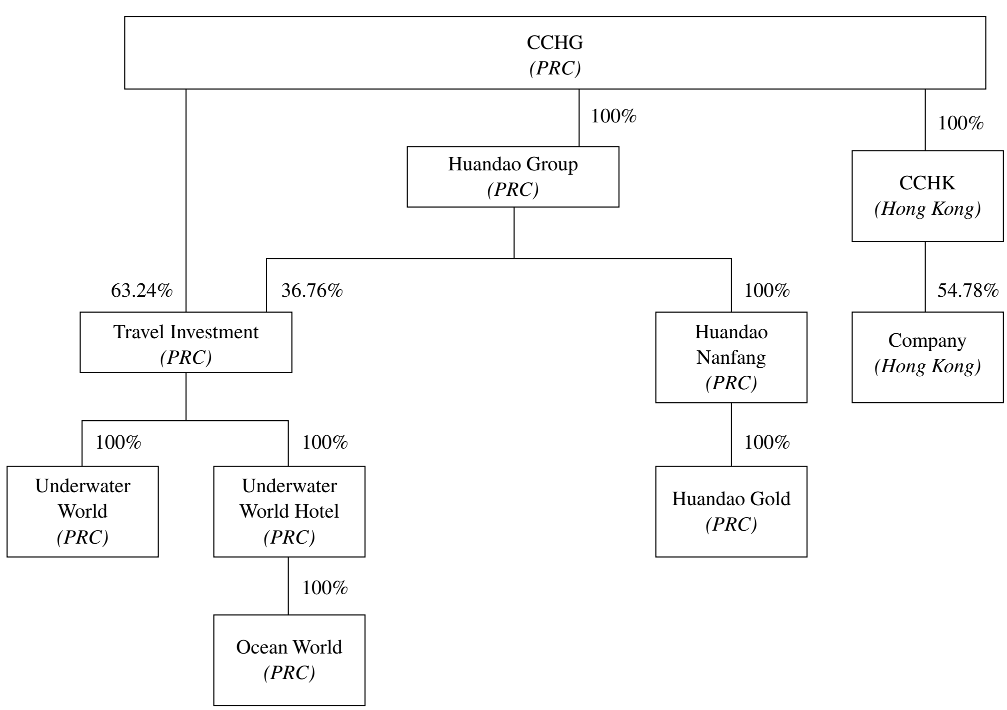
CCHK is an investment holding company and is the holding company of World Gain, a controlling Shareholder (as defined in the Listing Rules) of the Company, and is therefore a connected person of the Company. CCHG beneficially owns the entire issued share capital of CCHK, and is therefore a connected person of the Company. CCHG is principally engaged in operation of state-owned assets and investment holding.

Companies to be acquired:

The Company has agreed to purchase, and CCHK has agreed to sell, the entire issued share capital of BVI Company.

CCHK and CCHG have agreed to undertake a series of reorganisation involving BVI Company, HK Company and the Travel Investment Companies prior to the completion of the Acquisition Agreement ("**Pre-completion Reorganisation**"). Among the Pre-completion Reorganisation, certain restructuring steps are required to be completed before the Acquisition Agreement shall become unconditional ("**Conditions Precedent Reorganisation**"). Pursuant to the Acquisition Agreement, Travel Investment Companies shall include Travel Investment, Huandao Gold, Underwater World, Underwater World Hotel and Ocean World and shall not include Huandao Travel Agency. The following corporate charts set out the simplified corporate structure of the target companies to be acquired under the Acquisition Agreement (i) as at the date of the Acquisition Agreement; (ii) after the completion of the Conditions Precedent Reorganisation but prior to the completion of the Pre-completion Reorganisation; and (iii) after the completion of the Pre-completion Reorganisation but prior to the completion of the Acquisition Agreement.

Chart A — Corporate structure of the target companies as at the date of the Acquisition Agreement



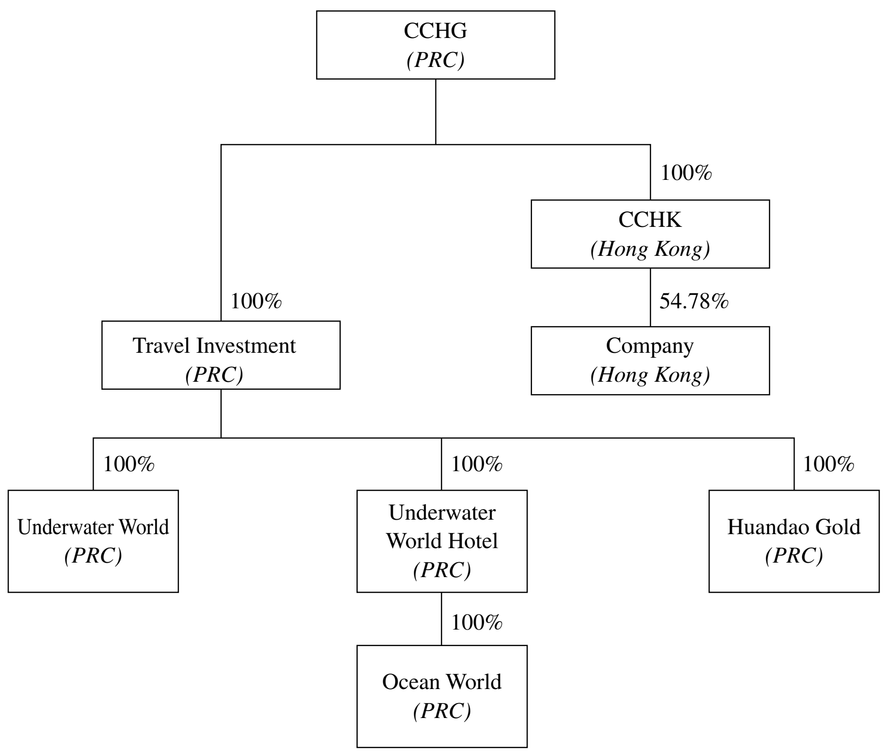
Pursuant to the Acquisition Agreement, under the Conditions Precedent Reorganisation to be undertaken by CCHK and CCHG, among others:

— Huandao Group shall transfer its entire interest in Travel Investment to CCHG (which shall then hold 100% of Travel Investment); and

— The entire equity interest in Huandao Gold shall be transferred to Travel Investment.

As at the Latest Practicable Date, the Conditions Precedent Reorganisation has been completed.

Chart B — Corporate structure of the target companies after completion of the Conditions Precedent Reorganisation but prior to completion of the Pre-completion Reorganisation



Pursuant to the Acquisition Agreement, under the Pre-completion Reorganisation to be undertaken by CCHK and CCHG, among others:

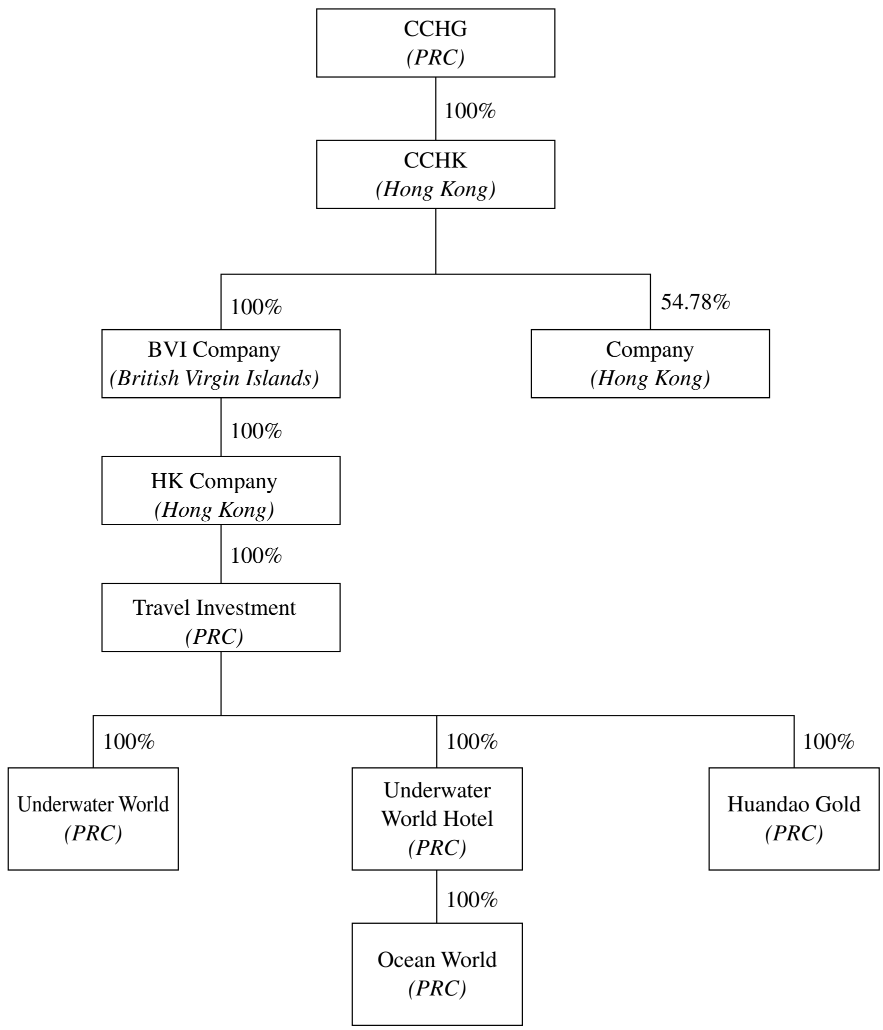
— BVI Company shall be incorporated in the British Virgin Islands by CCHK to act as the holding company of HK Company;

— HK Company shall be incorporated in Hong Kong as a wholly-owned subsidiary of BVI Company to act as the holding company of Travel Investment; and

— CCHG shall transfer its entire interest in Travel Investment (which shall then hold the rest of the Travel Investment Companies) to HK Company.

As at the Latest Practicable Date, BVI Company and HK Company have been incorporated.

Chart C — Corporate structure of the target companies after completion of the Pre-completion Reorganisation but prior to completion of the Acquisition Agreement



The Pre-completion Reorganisation (which includes the Conditions Precedent Reorganisation) is subject to PRC governmental approvals.

The original acquisition costs of BVI Company (including all companies to be transferred to BVI Company pursuant to the Pre-completion Reorganisation) to CCHK are approximately RMB254,000,000 (subject to adjustment according to the Filed and Confirmed Price and other relevant adjustment).

Further details of the target companies to be acquired pursuant to the Acquisition Agreement are set out in the paragraph headed "Further details of the companies to be acquired under the Acquisition Agreement" below.

Consideration:

For the purpose of this paragraph, the following expressions shall have the following meanings:

"**Filed and Confirmed Price**" shall mean the value of 100% of the equity attributable to shareholder of Travel Investment based on the PRC Valuation and filed with and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council.

"**PRC Valuation**" shall mean the valuation report on 100% interests of Travel Investment after completion of the Pre-completion Reorganisation prepared in accordance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council.

Subject to adjustments as set out below, the Consideration to be payable by the Company pursuant to the Acquisition Agreement shall be RMB254,000,000 (equivalent to approximately HK$304,800,000) which is determined with reference to the net assets value of the Travel Investment Companies (on the basis that the Pre-completion Reorganisation has been completed) as at 31 May 2011, after taking into account the property value of the hotels held by the Travel Investment Companies, and the future prospects of the businesses operated by the Travel Investment Companies.

The Consideration shall be adjusted in accordance with the Filed and Confirmed Price as follows:

(1) if the Filed and Confirmed Price is higher or lower than the Consideration by not more than 10%, the Consideration shall be adjusted to an amount which equals the Filed and Confirmed Price;

(2) if the Filed and Confirmed Price shall be an amount equal to the Consideration, the Consideration will not be adjusted;

(3) if the Filed and Confirmed Price shall be an amount higher or lower than the Consideration by more than 10%, the Company, CCHK and CCHG agreed that they will negotiate on the revised Consideration to be payable by the Company pursuant to the Acquisition Agreement. The negotiation on the revised Consideration, if required, will be based on fresh negotiation among the parties taking into account the Filed and Confirmed Price.

Shareholders should note that the parties may or may not be able to reach an agreement on the revised Consideration. If the revised Consideration is not agreed by the parties, the Acquisition Agreement will lapse. If the revised Consideration is agreed by the parties, the parties will enter into supplemental agreement in respect of the revised Consideration which shall be subject to Independent Shareholders' approval at another general meeting to be convened by the Company (if the EGM has been held by that time). If approval from the Independent Shareholders on such supplemental agreement on the revised Consideration cannot be obtained on or before 30 June 2012 (or such other date as agreed by the parties), the Acquisition Agreement will lapse immediately.

Further announcement will be made by the Company on whether a supplemental agreement on the revised Consideration is signed by the parties in case of occurrence of scenario (3) above.

The Consideration may also be reduced if:

(i) any of the Travel Investment Companies cannot be transferred to BVI Company pursuant to the Pre-completion Reorganisation, the Consideration shall be adjusted downward by an amount equivalent to the value of such company(ies) as assessed by a qualified PRC valuer who is approved by the parties to the Acquisition Agreement and in any event the amount to be deducted shall not be less than the net assets value of such company(ies) as shown in the unaudited management accounts of such company(ies) as at 31 May 2011; and

(ii) the receivables of the Travel Investment Companies from the CCHG Related Companies cannot be settled in full as at the date of completion of the Acquisition Agreement and the Company shall, at its discretion, waive the condition precedent set out in paragraph (7) of the section headed "Conditions precedent" below of this circular, the Consideration shall be adjusted downward by an amount equivalent to such unsettled receivables of the Travel Investment Companies due from the CCHG Related Companies as at the date of completion of the Acquisition Agreement.

The Directors confirm that the Consideration payable by the Company pursuant to the Acquisition Agreement was arrived at after arm's length negotiations between the Company, CCHK and CCHG. The adjustment mechanism to the Consideration is incorporated to the Acquisition Agreement because it is a requirement under the PRC laws that the price for the transfer of interest in Travel Investment Companies shall be filed and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council. Application to the State-owned Assets Supervision and Administration Commission of the State Council for filing and confirmation of the Filed and Confirmed Price will be made by CCHK and CCHG.

Consideration Shares

The Consideration payable by the Company pursuant to the Acquisition Agreement shall be settled by the issue of the Consideration Shares to CCHK at an issue price of HK$0.47 per Consideration Share. There is no restriction on the subsequent disposal of the Consideration Shares by CCHK.

The issue price of HK$0.47 represents:

— a discount of approximately 2.08% to the closing price of HK$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;

— a discount of approximately 0.63% to the average closing price of HK$0.473 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

— a discount of approximately 0.63% to the average closing price of HK$0.473 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day; and

— a premium of approximately 38.24% over the closing price of HK$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration Shares will be issued pursuant to the general mandate granted to the Directors at its annual general meeting held on 23 May 2011.

The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue including the right to all dividends, distributions and other payments made or to be made the record date for which shall fall on or after the date of such allotment and issue.

The reason for settlement by Consideration Shares is to ensure sufficient cash flow of the Group to finance the development of the businesses of the Group, and to fund its investment in other assets, businesses or potential merger and acquisitions. The settlement of Consideration of the Acquisition by Consideration Shares would allow the Group to acquire the target companies under the Acquisition without any cash outlay. Although the Company had a cash and bank balance of HK$1,305 million as at 30 June 2011, the Company intended to use it for financing its business development and other investment opportunities. The Directors consider that the settlement of the Consideration by Consideration Shares enables the Group's development to go in line with its future plan and strategies. As at the Latest Practicable Date, the Company has not identified any specific target for investment, merger or acquisition.

The issue price of the Consideration Shares of approximately HK$0.47 per Consideration Share was determined after arm's length negotiation between the Company, CCHK and CCHG with reference to, among others, the average closing price per Share of the last 5 trading days and the last 20 trading days, respectively, up to and including the Last Trading Day, both of HK$0.473 per Share, and the issue price per Consideration Share represents a discount of only approximately 0.63% to the average closing price per Share for both the last 5 trading days and the last 20 trading days, respectively, up to and including the Last Trading Day. In view of the above, the Directors consider that the settlement of Consideration by Consideration Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the issue of the Consideration Shares would enable the Company to enlarge its capital base and improve its overall financial position and is the appropriate method to satisfy the Consideration of the Acquisition.

The number of Consideration Shares to be issued shall be determined by dividing the amount of the Consideration (translated into HK$ amount under the exchange rate of RMB0.82739 = HK$1 based on the benchmark middle price for converting RMB into HK$ as posted by the People's Bank of China on its website one business day before the date of the Original Acquisition Agreement, i.e. 26 July 2011) by the issue price of HK$0.47 per Consideration Shares. Assuming there will be no adjustment of the Consideration, a total of 653,169,039 Consideration Shares will be issued upon completion of the Acquisition, representing approximately 15.65% of the issued share capital of the Company as at the Latest Practicable Date and approximately 13.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. Assuming the Consideration is adjusted to its maximum extent, a total of 718,485,943 Consideration Shares will be issued upon completion of the Acquisition, representing approximately 17.22% of the issued share capital of the Company as at the Latest Practicable Date and approximately 14.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

For further details of the change in shareholding of the Company as a result of the issue of Consideration Shares to CCHK under the Acquisition Agreement, please refer to the paragraph headed "Changes in Shareholding Structure" set out from page 24 to page 25 of this circular.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion of the Acquisition Agreement is conditional on the satisfaction (or, where applicable, waiver by the Company) of the following conditions:

(1) the Independent Shareholders have passed an ordinary resolution to approve the transactions contemplated by the Acquisition Agreement and the issue of the Consideration Shares at the EGM;

(2) if a supplemental agreement to the Acquisition Agreement in relation to the revised Consideration is entered into by the parties, such supplemental agreement has been approved by the Independent Shareholders at an extraordinary general meeting to be convened by the Company;

(3) the Stock Exchange have granted the listing of and permission to deal in the Consideration Shares to be issued under the Acquisition Agreement on the Stock Exchange;

(4) the Conditions Precedent Reorganisation has been completed in accordance with the terms of the Acquisition Agreement;

(5) the certificate for renewal of validity period of the Marine Use Right has been obtained by the relevant Travel Investment Companies;

(6) the issue of legal opinions by a firm of PRC lawyers approved by the Company, confirming, among other matters, the Conditions Precedent Reorganisation has been completed in accordance with the PRC laws and regulations, all necessary PRC government approvals relevant to the Conditions Precedent Reorganisation and the Acquisition have been obtained, the businesses of the Travel Investment Companies have been operated in accordance with the PRC laws and regulations, and other matters which the Company considers necessary, contents of which must be accepted by the Company; and

(7) settlement in full of the receivables then due to the Travel Investment Companies from the CCHG Related Companies.

None of the above conditions (other than conditions (4), (6) and (7)) can be waived by the parties. The Company may at its absolute discretion waive conditions (4), (6) and (7) above at any time on or before 30 June 2012 (or such other date as agreed by the parties). As at the Latest Practicable Date, condition precedent (4) above has been fulfilled. The Company does not currently intend to waive any of the above conditions (6) and (7).

However, if the receivables of the Travel Investment Companies due from the CCHG Related Companies cannot be settled in full as at the date of completion of the Acquisition Agreement, the Company intends to waive condition precedent (7) above in respect of such unsettled receivables due from the CCHG Related Companies and in such event, the Consideration shall be adjusted downward by an amount equivalent to such unsettled receivables due from the CCHG Related Companies.

Completion of the Acquisition Agreement is conditional on the satisfaction of, among others, condition precedent (5) above which cannot be waived. Condition precedent (5) will be fulfilled if the certificate for renewal of validity period of the Marine Use Right granted by the State Oceanic Administration of the PRC (國家海洋局) ("**State Oceanic Administration**") to Underwater World for use of the underwater district of 三亞珊瑚礁國家級保護區 (unofficial translation as Sanya Coral Reefs National Reserve) is obtained by Underwater World.

The application for renewal of the term of the Marine Use Right has to be submitted first to the Department of Ocean and Fisheries of Hainan Province (海南省海洋與漁業廳) ("**Hainan Ocean Department**") and then approved by the State Oceanic Administration. As advised by CCHK, the vendor of the Acquisition, application for renewal of the term of the Marine Use Right has been filed on 17 August 2010 by Underwater World with the Hainan Ocean Department, which has, after receipt of such application, been arranging for certain scientific expedition work to be conducted and evaluation reports to be prepared by experts of the Hainan Marine Development Plan and Design Institute (海南省海洋開發規劃設計研究院) on the coral reefs and other marine resources within the area of Sanya City, the PRC. Upon completion of the above expedition work and preparation of evaluation reports, the application for renewal of the term of the Marine Use Right will be further filed with the State Oceanic Administration for its approval. As at the Latest Practicable Date, the Directors were not aware of any circumstance that would lead to failure to renew the term of the Marine Use Right. Moreover, so far as the Directors are aware, Underwater World did not have any record of regulatory or legal non-compliance in the past, and that there is no change in the applicable policies and regulations relating to the renewal of marine use rights which would result in failure to renew the Marine Use Right. Accordingly, the Directors consider that there would not be any impediment to renew the Marine Use Right. It is currently expected that renewal of the Marine Use Right will be completed by end of 2011. In the event the Marine Use Right cannot be renewed on or before 30 June 2012 (or such other date as agreed by the parties), condition precedent (5) will not be fulfilled. For further information on the Marine Use Right, please refer to the paragraph headed "Marine use rights" under the section headed "Major assets owned by Travel Investment and its subsidiaries" on page 17 of this circular.

If the conditions precedents set out above have not been satisfied (or, where applicable, waived by the Company) on or before 30 June 2012 (or such other date as agreed by the parties), the Acquisition Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the Acquisition Agreement, save for any prior breaches of the terms of the Acquisition Agreement.

As at the Latest Practicable Date, save for condition precedent (4) above, none of the above conditions has been fulfilled.

Completion of the Acquisition Agreement

Completion of the Acquisition Agreement shall take place on the fifth business day after the fulfillment or waiver (as the case may be) of all conditions referred to above (or such other date as agreed by the parties).

After completion of the Acquisition, each of BVI Company, HK Company and the Travel Investment Companies will become wholly-owned subsidiaries of the Company.

Undertakings by CCHG

Pursuant to the Acquisition Agreement, CCHG has undertaken, among other matters:

1. to indemnify the Company for any loss and costs incurred in connection with any breaches or non-compliance of any terms of the Acquisition Agreement by CCHK;

2. to indemnify the Company in cash for any loss suffered after completion of the Acquisition Agreement as a result of the failure of any of the Travel Investment Companies to obtain and/or renew any approval, licence, permit, right or qualification (including but not limited to Marine Use Right) necessary, as at or prior to the date of completion of the Acquisition Agreement, for the operation of the businesses currently engaged by the Travel Investment Companies, the amount of indemnity to be assessed based on the average monthly net profits from the relevant business of the relevant company during the preceding financial year; and

3. to indemnify the Company for any liabilities, payment obligations, fines or penalties imposed by any relevant regulatory authorities (regardless of whether such obligations or penalties are incurred by the business operation of the Travel Investment Companies prior to or after the completion of the Acquisition) which might be incurred as a result of the failure of any of the Travel Investment Companies to obtain and/or renew, prior to completion of the Acquisition Agreement, any approval, licence, permit, right or qualification (including but not limited to Marine Use Right) necessary, as at or prior to the date of completion of the Acquisition Agreement, for the operation of the businesses engaged by the Travel Investment Companies.

Further details of the companies to be acquired under the Acquisition Agreement

As at the date of Acquisition Agreement, each of BVI Company and HK Company has been incorporated. The BVI Company and the HK Company, which were incorporated on 12 August 2011 and 23 August 2011 respectively, are investment holding companies and have no material operations. The Directors are of the view that BVI Company and HK Company have no significant impact on the financial positions of the Enlarged Group. The unaudited pro forma statement of assets and liabilities of the Group combined with the assets and liabilities of the Travel Investment Companies is set out in Appendix IV to this circular.

Travel Investment

Travel Investment is a limited liability company established in the PRC on 28 June 2007 with a registered capital of RMB136,000,000 (all of which has been paid up) as at the Latest Practicable Date. The approved business scope of Travel Investment includes investment and development in tourism and hotel business; protection and development of ecological environment; and investment, development in and provision of services for public facilities.

Based on financial information of Travel Investment prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits/losses (both before and after taxation and extraordinary items) of Travel Investment for the two financial years ended 31 December 2010 are as follows:

	Year ended 31 December 2009	**Year ended 31 December 2010**
	RMB'000	*RMB'000*
Net profits/(losses) before taxation and extraordinary items	(1,463)	23,266
Net profits/(losses) after taxation and extraordinary items	(1,463)	23,266

The unaudited net assets value and total assets value of Travel Investment as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB136,993,000 and RMB210,910,000 respectively.

Underwater World

Underwater World is a limited liability company established in the PRC on 28 November 1995 with a registered capital of RMB96,000,000 (all of which has been paid up) as at the Latest Practicable Date. The approved business scope of Underwater World includes underwater sightseeing, water sports, ocean fishing, boat trips, cultural entertainment, coral reefs and biological cultivation, and import and export trade.

Based on financial information of Underwater World prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits (both before and after taxation and extraordinary items) of Underwater World for the two financial years ended 31 December 2010 are as follows:

	Year ended 31 December 2009	**Year ended 31 December 2010**
	RMB'000	*RMB'000*
Net profits/(losses) before taxation and extraordinary items	11,791	15,367
Net profits/(losses) after taxation and extraordinary items	9,406	11,949

The unaudited net assets value and total assets value of Underwater World as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB122,183,000 and RMB140,083,000 respectively.

Underwater World Hotel

Underwater World Hotel is a limited liability company established in the PRC on 27 January 1997 with a registered capital of RMB8,000,000 (all of which has been paid up) as at the Latest Practicable Date. The approved business scope of Underwater World Hotel includes accommodation, restaurants, cultural and recreational services, fitness and other sports facilities services, department stores, arts and crafts sales, typing and photocopying services and sales of cigarettes and alcohol.

Based on financial information of Underwater World Hotel prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits (both before and after taxation and extraordinary items) of Underwater World Hotel for the two financial years ended 31 December 2010 are as follows:

	Year ended 31 December 2009 *RMB'000*	Year ended 31 December 2010 *RMB'000*
Net profits/(losses) before taxation and extraordinary items	840	379
Net profits/(losses) after taxation and extraordinary items	840	379

The unaudited net assets value and total assets value of Underwater World Hotel as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB34,145,000 and RMB37,229,000 respectively.

Ocean World

Ocean World is a limited liability company established in the PRC on 23 June 2009 with a registered capital of RMB500,000 (all of which has been paid up) as at the Latest Practicable Date. The approved business scope of Ocean World includes underwater sightseeing, water sports, ocean fishing, boat trips, cultural and recreational services and department store sales.

Based on financial information of Ocean World prepared in accordance with accounting principles generally accepted in the PRC, the audited net profits/losses (both before and after taxation and extraordinary items) of Ocean World for the period from 23 June 2009 (date of establishment) to 31 December 2010 are as follows:

	From 23 June 2009 (date of establishment) to 31 December 2009 *RMB'000*	Year ended 31 December 2010 *RMB'000*
Net profits/(losses) before taxation and extraordinary items	(9)	26
Net profits/(losses) after taxation and extraordinary items	(9)	20

The unaudited net assets value and total assets value of Ocean World as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB502,000 and RMB828,000 respectively.

Major assets owned by Travel Investment and its subsidiaries

(1) Major facilities

The major facilities owned by Travel Investment and its subsidiaries, including Underwater World, Underwater World Hotel and Ocean World (collectively the "**Travel Investment Group**") include 2 semi-submersible boats with 60 seats, 4 transport ships with 45 seats, 2 fishing boats with 8 seats, 2 diving platforms, a large-scale entertainment platform, and a total of 30 small boats, sightseeing boats and motor jets.

(2) Hotel

Underwater World Hotel owns and operates a hotel with the name "寰島海底世界酒店" (unofficial translation as Huandao Underwater World Hotel) (the "**Hotel**"), which is located at Yalong Bay Tourism Development Zone (now known as Yalong Bay National Tourism & Resort Zone), Tiandu Town, Sanya City, Hainan Province, the PRC. The Hotel was completed in 1997. It is a 3-star resort hotel with about 72% room occupancy rate. The Hotel was built over a site with an area of approximately 9,982.90 sq.m.. The Hotel comprises 4 blocks of 3 to 4-storey buildings and various ancillary structures. It provides a total of 68 guest rooms and suites with various hotel facilities including three multi-functional rooms (which can be used as a restaurant or conference rooms), a bar, shops and car park. The total gross floor area of the Hotel, excluding the ancillary structures, is approximately 5,216.14 sq.m..

For further details of the Hotel, please refer to the valuation report on the property interests to be acquired by the Group set out in Appendix V to this circular.

(3) Marine use rights

The Travel Investment Group has the following marine use rights:

	Registrant	Location	Area (hectare)	Type of use	Marine use project	Expiry date	Issuing authority
1.	Underwater World	Hainan Sanya Yalong Bay National Tourism & Resort Zone (海南三亞市亞龍灣國家旅遊度假區)	7.618	Tourism and entertainment	Marine use in Sanya Coral Reefs National Reserve (三亞珊瑚礁國家級保護區用海)	25 December 2009	State Oceanic Administration (國家海洋局)
2.	Underwater World	Hainan Sanya Yalong Bay National Tourism & Resort Zone (海南三亞市亞龍灣國家旅遊度假區)	3.036	Tourism and entertainment	Marine use for coastal entertainment (濱海娛樂)	11 June 2012	Sanya Marine Fishery Agency (三亞市海洋與漁業局)

The Marine Use Right (details of which are set out in item (1) of the table above) expired on 25 December 2009. Due to inadvertent omission of Underwater World, application for renewal of the Marine Use Right was only filed by Underwater World on 17 August 2010.

The nature of the marine use rights are rights conferred by the PRC government to the holder of such rights for exclusive possession, use and entitlement to income of a particular sea area (including interior waters, the surface, body, seabed and bottom soil of the territorial seas of the PRC). The marine use rights granted to Underwater World are for tourism and entertainment purposes, and they are the basis for Underwater World to legally possess, use and engage in profit-based tourism and entertainment business in the particular sea area.

The application for renewal of the term of the Marine Use Right has to be submitted first to the Hainan Ocean Department and then approved by the State Oceanic Administration. For renewal of the Marine Use Right, Underwater World as an applicant shall submit to the State Oceanic Administration and the Hainan Ocean Department a renewal application report (which shall include, among others, environmental impact assessment report and the relevant water transport permits), business licence, credit confirmation and marine use map. Upon successful renewal of the Marine Use Right, the renewed Marine Use Right shall be valid for a term of 3 to 5 years.

Management discussion and analysis on Travel Investment and its subsidiaries

Set out in Appendix II to this circular is the accountants' report on the Travel Investment Group, namely Travel Investment, Underwater World, Underwater World Hotel and Ocean World for each of the three years ended 31 December 2010 and the five months ended 31 May 2011. Below is the management discussion and analysis on the performance of Travel Investment Group during such periods.

Travel Investment was established in the PRC on 28 June 2007. Underwater World, Underwater World Hotel and Ocean World are wholly-owned subsidiaries of Travel Investment at the Latest Practicable Date. During each of the three years ended 31 December 2010, five months ended 31 May 2010 and five months ended 31 May 2011, Travel Investment Group recorded turnover of approximately RMB 30,527,000, RMB39,079,000, RMB43,431,000, RMB23,911,000 and RMB26,861,000 respectively.

During each of the three years ended 31 December 2010, five months ended 31 May 2010 and five months ended 31 May 2011, consolidated profit attributable to shareholder of Travel Investment was approximately RMB6,918,000, RMB11,637,000, RMB14,355,000, RMB9,489,000, RMB11,785,000 respectively.

During the year ended 31 December 2009, CCHG invested RMB86,000,000 in Travel Investment, which funded Travel Investment Group in the project to acquire new boats and expand facilities. The completion of the project enabled Travel Investment Group to cope with the growth in tourism industry in Hainan Province. Therefore, both turnover and profit significantly increased thereafter.

Segment information

Travel Investment Group is mainly engaged in hotel operation and provision of marine entertainment services.

Hotel operation

Travel Investment Group owns and operates a resort hotel in Sanya City of Hainan Province. During each of the three years ended 31 December 2010, five months ended 31 May 2010 and five months ended 31 May 2011, Travel Investment Group recorded steady turnover of approximately RMB14,180,000, RMB14,661,000, RMB14,002,000, RMB7,850,000 and RMB8,703,000 respectively from the provision of hotel and beverages services.

Provision of marine entertainment services

Travel investment Group also operates marine tourism business in Hainan Province. The turnover from the provision of marine entertainment services were approximately RMB16,347,000, RMB24,418,000, RMB29,429,000, RMB16,061,000 and RMB18,158,000 respectively during each of the three years ended 31 December 2010, five months ended 31 May 2010 and five months ended 31 May 2011. The significant increase in turnover was mainly contributed by the growth in tourism industry in Hainan Province together with the improvement in capacity and quality of the business after the capital injection from CCHG during the year ended 31 December 2009.

Acquisition and disposal of subsidiaries

During the year ended 31 December 2008, 海南寰島福瑞達實業有限公司 (unofficial translation as Hainan Huandao Furuida Industrial Co. Ltd.) was acquired at RMB10,762,000 from fellow subsidiaries and deregistered. Upon the completion of de-registration, a gain on de-registration of 海南寰島福瑞達實業有限公司 (unofficial translation as Hainan Huandao Furuida Industrial Co. Ltd.) of approximately RMB120,000 was recognised in profit or loss for the year ended 31 December 2008.

During the year ended 31 December 2009, Travel Investment acquired additional 20% interest in Underwater World at a consideration of RMB6,100,000 and Underwater World became a wholly-owned subsidiary of Travel Investment since then. Discount on acquisition of additional interest in a subsidiary of approximately RMB300,000 was credited to consolidated statement of comprehensive income, representing the difference in the carrying amount of the non-controlling interests of RMB6,400,000 and the consideration paid by Travel Investment at the date of acquisition.

During the year ended 31 December 2009, Travel Investment disposed of its entire interest in 海口翠島溫泉度假酒店有限公司 (unofficial translation as Haikou Cuidao Spa Resort Co. Ltd.) to a fellow subsidiary, at a consideration of RMB36,000,000, which was the carrying amount of investment in 海口翠島溫泉度假酒店有限公司 (unofficial translation as Haikou Cuidao Spa Resort Co. Ltd.) at the date of disposal. No gain or loss was recognised to profit or loss upon the disposal.

De-registration of a jointly-controlled entity

During the year ended 31 December 2008, Travel Investment Group's 50% owned jointly controlled entity, 三亞亞龍灣中寰濱海公園管理有限公司 (unofficial translation as Sanya Yalong Bay Zhonghuan Coastal Park Management Co. Ltd.) ("**Park Management Co**"), a PRC company with paid-in capital of RMB1,000,000 was de-registered with a distribution of RMB500,000. Park Management Co was engaged in property development before the de-registration. Investment in Park Management Co was carried at cost less accumulated impairment losses, before the de-registration, with a carrying amount of RMB500,000. No gain or loss was recognised on de-registration of the jointly controlled entity.

Pledge of assets

Travel Investment Group did not have any pledged asset as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011.

Liquidity, capital resources and gearing ratio

Travel Investment Group had cash and bank balances amounting to approximately RMB10,755,000, RMB79,967,000, RMB33,774,000 and RMB22,458,000 as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011 respectively.

Travel Investment Group funded its operation through internal resources and capital injection from CCHG.

Other than inter-company current accounts, Travel Investment Group did not have any borrowings as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011. The gearing ratio is zero.

Foreign exchange risk management

The business activity and operation of Travel Investment Group is in the PRC, with revenue and expenditure denominated in RMB. It does not have any significant foreign currency exposure.

Employees and remuneration policy

Travel Investment Group employed a total of 262, 246, 277 and 259 employees as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011 respectively. Employee's remuneration are determined in accordance with nature of their duties and remain competitive under current market demand.

The employees of Travel Investment Group are members of a state-managed retirement benefits scheme operated by the PRC government. Travel Investment Group is required to contribute certain percentage of its payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of Travel Investment Group with respect to the retirement benefits scheme is to make the required contributions.

Capital structure

The paid-in capital of Travel Investment was RMB50,000,000 as at 31 December 2008 and RMB136,000,000 as at 31 December 2009, 31 December 2010 and 31 May 2011.

No financial instruments are used for hedging purposes as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011 respectively.

Capital commitment and contingent liabilities

As at 31 December 2008 and 31 December 2009, Travel Investment Group did not have any capital commitment. As at 31 December 2010 and 31 May 2011, Travel Investment Group had capital commitment contracted but not provided in the financial information of approximately RMB3,165,000 and RMB1,583,000 respectively for the capital expenditure in respect of acquisition of property, plant and equipment.

Travel Investment Group did not have any contingent liability as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011.

There is no current plan for material investment for Travel Investment Group in the coming year.

Huandao Gold

Huandao Gold was established in the PRC on 13 March 1989 as a state-owned enterprise (全民所有制企業) with a registered capital of RMB5,000,000 (all of which has been paid up) as at the Latest Practicable Date. The approved business scope of Huandao Gold includes processing, retail, purchasing consignment of gold and silver jewellery, other jewellery, arts and crafts. Pursuant to a notice of approval of change dated 18 August 2011 issued by the Industrial and Commercial Administration Bureau of Hainan Province (海南省工商行政管理局) ("**Hainan AIC**"), Huandao Gold became a limited liability company. Pursuant to a notice of approval of change dated 8 September 2011 issued by Hainan AIC, the transfer of the entire interest in Huandao Gold from Huandao Nanfang to Travel Investment was registered.

Based on financial information of Huandao Gold prepared in accordance with accounting principles generally accepted in the PRC, the audited net losses (both before and after taxation and extraordinary items) of Huandao Gold for the two financial years ended 31 December 2010 are as follows:

	Year ended 31 December 2009 *RMB'000*	**Year ended 31 December 2010** *RMB'000*
Net profits/(losses) before taxation and extraordinary items	(124)	(127)
Net profits/(losses) after taxation and extraordinary items	(124)	(127)

The unaudited net assets value and total assets value of Huandao Gold as at 31 May 2011 (prepared in accordance with accounting principles generally accepted in the PRC) were approximately RMB1,400,000 and RMB1,878,000 respectively.

As at the Latest Practicable Date, Huandao Gold operated a gold and jewellery retail shop in a hotel operated by Taide Hotel located at No.18, Heping Avenue, Haikou City, the PRC.

Management discussion and analysis on Huandao Gold

Set out in Appendix III to this circular is the accountants' report on Huandao Gold for each of the three years ended 31 December 2010 and the five months ended 31 May 2011. Below is the management discussion and analysis on the performance of Huandao Gold during such periods.

Huandao Gold was established in the PRC on 13 March 1989. It is engaged in sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts. During each of the three years ended 31 December 2010, five months ended 31 May 2010 and five months ended 31 May 2011, Huandao Gold recorded turnover of approximately RMB42,000, RMB44,000, RMB51,000, RMB23,000 and RMB19,000 respectively and loss of approximately RMB126,000, RMB124,000, RMB127,000, RMB55,000 and RMB76,000 respectively. The loss was mainly attributable to the expenses incurred in its daily operation exceeding gross profit.

Pledge of assets

Huandao Gold did not have any pledged asset as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011.

Liquidity , capital resources and gearing ratio

Huandao Gold had cash and bank balances amounting to approximately RMB53,000, RMB25,000, RMB20,000 and RMB41,000 as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011 respectively.

Huandao Gold funded its operation through internal resources.

Other than inter-company current accounts, Huandao Gold did not have any borrowings as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011. The gearing ratio is zero.

Foreign exchange risk management

The business activity and operation of Huandao Gold is in the PRC, with revenue and expenditure denominated in RMB. It does not have any significant foreign currency exposure.

Employees and remuneration policy

Huandao Gold employed a total of 4 employees as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011. Employee's remuneration are determined in accordance with nature of their duties and remain competitive under current market demand.

The employees of Huandao Gold are members of a state-managed retirement benefits scheme operated by the PRC government. Huandao Gold is required to contribute certain percentage of its payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of Huandao Gold with respect to the retirement benefits scheme is to make the required contributions.

Capital structure

The paid-in capital of Huandao Gold was RMB5 million as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011.

No financial instruments are used for hedging purposes as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011 respectively.

Capital commitment and contingent liabilities

Huandao Gold did not have any capital commitment and contingent liability as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011.

There is no current plan for material investment for Huandao Gold in the coming year.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Group are property development, property investment — land resources development, trading of coal and financial leasing.

Pursuant to the document "Certain Opinion of the State Council of the PRC on Promoting the Construction and Development of Hainan International Tourism Island" (國務院關於推進海南國際旅遊島建設發展的若干意見) issued in January 2010 by the State Council of the PRC, it has become a national strategy of the PRC government to develop Hainan Province into an international tourist attraction. The Directors expect that there will be enormous development opportunities in Hainan tourism. Under the leadership of Huandao Group and CCHG, the Travel Investment Companies have operated marine tourism business in Hainan Province for many years with extensive experience, established brand and network and abundant resources. With the above advantages, the Directors believe that the Acquisition would provide a new area for growth in the Group's business and bring better returns to the Company and the Shareholders. In addition, the cashflow of the Group will not be adversely affected by issuing the Consideration Shares to CCHK pursuant to the Acquisition.

The Directors believe that the terms of the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the consideration Shares under the Second SP Agreement, details of which are disclosed in the circular of the Company dated 29 November 2008 (assuming the consideration payable by the Company under the Second SP Agreement is adjusted to its maximum extent); (iii) immediately after the issue of the Consideration Shares (assuming there is no adjustment to the Consideration); (iv) immediately after the issue of the Consideration Shares (assuming the Consideration is adjusted to its maximum extent (i.e. RMB279,400,000) in accordance with the Filed and Confirmed Price); and (v) immediately after the issue of (aa) the consideration Shares under the Second SP Agreement (assuming the consideration under the Second SP Agreement is adjusted to its maximum extent) and (bb) the Consideration Shares (assuming the Consideration is adjusted to its maximum extent):

	(i)		(ii)		(iii)		(iv)		(v)	
	As at the Latest Practicable Date		Immediately after issue of the consideration Shares under the Second SP Agreement (assuming the consideration under the Second SP Agreement is adjusted to its maximum extent) *(Note 3)*		Immediately after issue of the Consideration Shares under the Acquisition Agreement (assuming no adjustment of Consideration)		Immediately after issue of the Consideration Shares under the Acquisition Agreement (assuming the Consideration is adjusted to its maximum extent)		Immediately after issue of (aa) the consideration Shares under the Second SP Agreement (assuming the consideration is adjusted to its maximum extent) and (bb) the Consideration Shares under the Acquisition Agreement (assuming the Consideration is adjusted to its maximum extent)	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Substantial Shareholders										
World Gain *(Note 1)*	2,286,343,570	54.78%	2,286,343,570	46.86%	2,286,343,570	47.37%	2,286,343,570	46.73%	2,286,343,570	40.85%
CCHK	0	0.00%	705,539,557	14.46%	653,169,039	13.53%	718,485,943	14.69%	1,424,025,500	25.44%
Sub-total	2,286,343,570	54.78%	2,991,883,127	61.32%	2,939,512,609	60.90%	3,004,829,513	61.42%	3,710,369,070	66.29%
Directors										
Zhang Guotong *(Note 2)*	365	0.00%	365	0.00%	365	0.00%	365	0.00%	365	0.00%
Public	1,887,090,292	45.22%	1,887,090,292	38.68%	1,887,090,292	39.10%	1,887,090,292	38.58%	1,887,090,292	33.71%
Total	4,173,434,227	100.00%	4,878,973,784	100.00%	4,826,603,266	100.00%	4,891,920,170	100.00%	5,597,459,727	100.00%

Notes:

1. The entire issued share capital of World Gain is beneficially owned by CCHK.

2. Mr. Zhang Guotong is an executive Director.

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

The issue of consideration Shares pursuant to the Second SP Agreement and the Consideration Shares pursuant to the scenarios (i) to (v) set out above will not result in a change in control of the Company.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 25% but less than 75%, the transactions contemplated under the Acquisition Agreement constitute a major acquisition for the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, World Gain, a wholly-owned subsidiary of CCHK, owns approximately 54.78% of the entire issued share capital of the Company. Each of World Gain and its associates is therefore a connected person of the Company under Chapter 14A of the Listing Rules. CCHK, an investment holding company, is the holding company of World Gain, a controlling Shareholder (as defined in the Listing Rules) of the Company, and is therefore a connected person of the Company. CCHG beneficially owns the entire issued share capital of CCHK, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Acquisition Agreement constitute a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements.

The Acquisition will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

World Gain, the controlling Shareholder which held 2,286,343,570 Shares (representing approximately 54.78% of the entire issued share capital of the Company as at the Latest Practicable Date), and its associates have a material interest in the Acquisition. World Gain and its associates and any Shareholders who are involved or interested in the Acquisition (which collectively held 2,286,343,570 Shares (representing approximately 54.78% of the entire issued share capital of the Company as at the Latest Practicable Date)) are required to abstain from voting on the resolutions to approve the Acquisition Agreement at the EGM. As no Director has a material interest in the Acquisition, no director had to abstain from voting on the board resolutions with regards to the Acquisition.

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, each of BVI Company, HK Company and Travel Investments Companies will become an indirect wholly-owned subsidiary of the Company and thus their assets and liabilities and their financial results will be consolidated into the accounts of the Group. According to the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular, the total assets and liabilities of the Group as at 30 June 2011 were approximately HK$2,480 million and approximately HK$906 million respectively. Assuming the Acquisition had been completed on 30 June 2011, the Enlarged Group's total assets and total liabilities would increase to approximately HK$2,830 million and approximately HK$952 million respectively. According to the accountants report of Travel Investment Group and Huandao Gold set out in Appendices II and III to this circular, for each of the three years ended 31 December 2010 and the five months ended 31 May 2011, Travel Investment Group and Huandao Gold collectively recorded revenue of approximately RMB31 million, approximately RMB39 million, approximately RMB43 million and approximately RMB27 million, respectively. Based on the historical earnings of the Travel Investment Companies, the Directors believe that the Acquisition will bring about positive contribution on the revenue of the Enlarged Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not be indicative of the financial position of the Enlarged Group as at 30 June 2011 or at any future date.

EGM

The Company will convene the EGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, on Tuesday, 18 October 2011 at 10:00 a.m. for the purpose of considering, and if thought fit, approving the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll. A notice of the EGM is set out on pages 151 to 152 of this circular. The resolution in relation to the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder will be put to vote by the Independent Shareholders at the EGM by way of poll.

A form of proxy for use at the EGM is also enclosed. If you are not able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

World Gain and its associates have a material interest in the Acquisition. World Gain and its associates and those who are involved or interested in the Acquisition will abstain from voting on the resolution to approve the Acquisition Agreement at the EGM.

RECOMMENDATION

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Ba Shusong, who have no direct or indirect interest in the Acquisition, has been formed to advise the Independent Shareholders on the terms of the Acquisition. Your attention is drawn to the advice of the Independent Board Committee set out in its letter set out on page 28 of this circular. CIMB has been appointed as the independent financial adviser to advise the Independent Board Committee on the terms of the Acquisition. Such appointment has been approved by the Independent Board Committee. Your attention is also drawn to the letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition set out from page 29 to page 48 of this circular.

The Independent Board Committee, having taken into account the advice of CIMB, considers that the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and that the terms of the Acquisition Agreement are fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

The Directors consider that the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors also recommended the Independent Shareholders to vote in favour of the resolution at the EGM.

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

The following is the 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)

30 September 2011

To the Independent Shareholders

Dear Sir or Madam

MAJOR ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular issued by the Company to its shareholders and dated 30 September 2011 ("**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 Acquisition, the Acquisition Agreement and the transactions contemplated thereunder will constitute a major acquisition and connected transaction for the Company and is thus subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders in connection therewith. 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 CIMB 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 Acquisition, the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and that the terms of the Acquisition Agreement are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition, the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. Kwong Che Keung, Gordon **Mr. Tsui Yiu Wa, Alec** **Mr. Ba Shusong**

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

CIMB

CIMB Securities (HK) Limited

Units 7706-08, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

30 September 2011

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

Dear Sirs,

MAJOR ACQUISITION AND CONNECTED TRANSACTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, details of which are contained in a circular (the "**Circular**") to the Shareholders dated 30 September 2011, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

CCHK is an investment holding company and is the holding company of World Gain, a controlling Shareholder (as defined in the Listing Rules) of the Company, and is therefore a connected person of the Company. CCHG beneficially owns the entire issued share capital of CCHK, and is therefore a connected person of the Company. As the applicable percentage ratios for the Acquisition under the Listing Rules are more than 25% but less than 75%, the transactions contemplated under the Acquisition Agreement constitute a major acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and the approval of Independent Shareholders at the EGM. World Gain and its associates and those who are involved or interested in the Acquisition are required to abstain from voting on the resolution to approve the Acquisition Agreement.

An Independent Board Committee comprising Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, and Mr. Ba Shusong, who have no direct or indirect interest in the Acquisition, has been formed to advise the Independent Shareholders on the terms of the Acquisition.

BASIS OF OUR OPINION

In formulating 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 senior management of the Company. The Directors have declared in a responsibility statement set out in Appendix VI to the Circular that they collectively and individually 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 representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

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 including the notes thereto to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. 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, Travel Investment Companies or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the Acquisition, we have considered the following principal factors and reasons:

1. Background and rationale

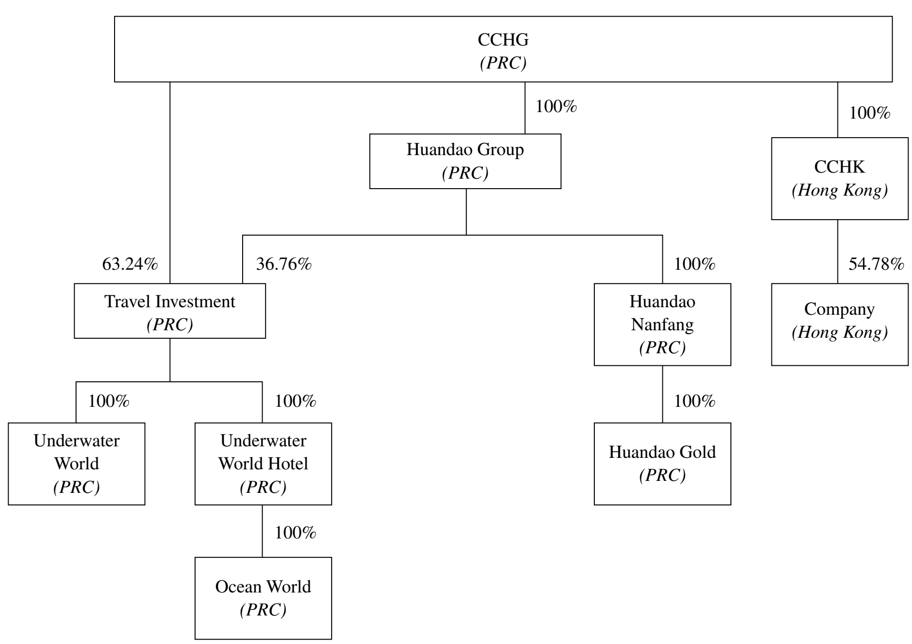
Background

The principal activities of the Group are property development, property investment-land resources development, trading of coal and financial leasing. On 27 July 2011, the Company entered into the Original Acquisition Agreement with CCHG and CCHK. On 29 August 2011, the Company, CCHK and CCHG also entered into the Supplemental Agreement to (i) revise the list of companies to be acquired by excluding one of the Travel Investment Companies, namely Huandao Travel Agency; (ii) revise the amount of the Consideration to reflect the exclusion of Huandao Travel Agency from the list of companies to be acquired; and (iii) amend certain adjustment mechanism of the Consideration. Details of the Acquisition Agreement (i.e. the Original Acquisition Agreement, as supplemented by the Supplemental Agreement) are set out in the letter from the board (the "**Letter from the Board**") in the Circular.

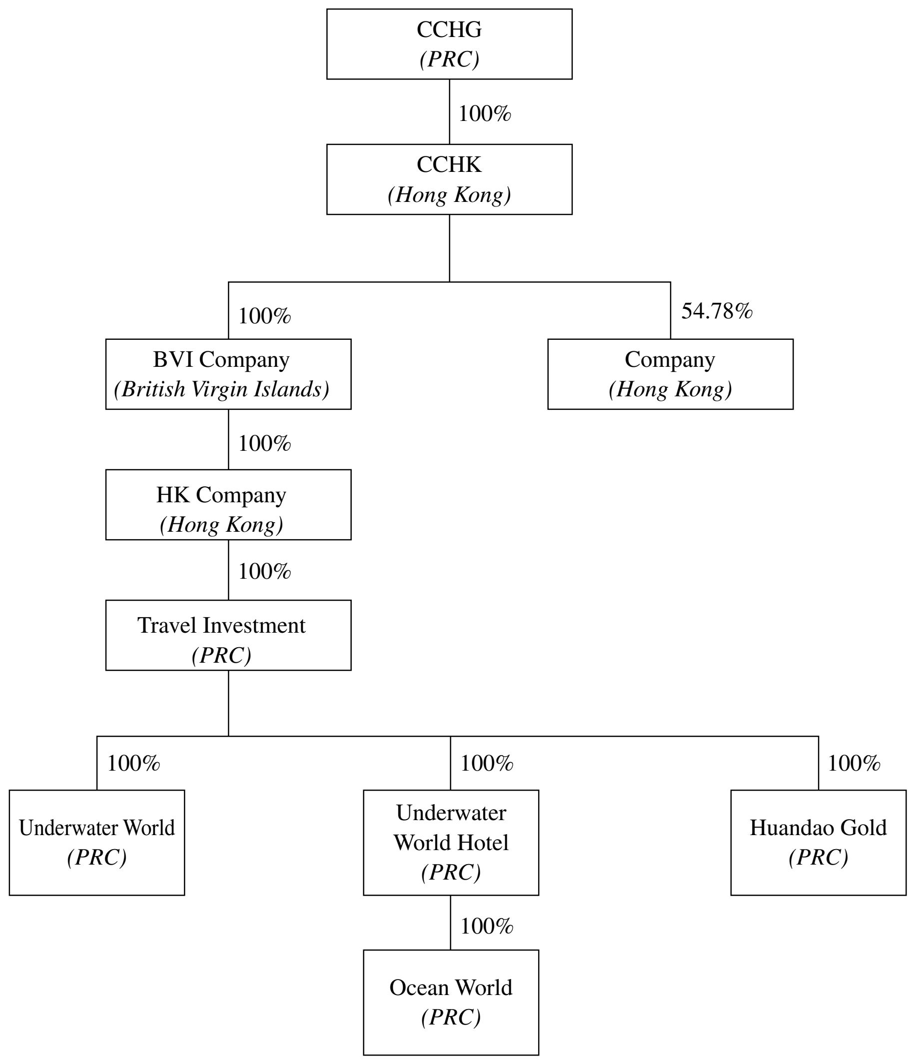
Pursuant to the Acquisition Agreement, the Company has agreed to purchase, and CCHK has agreed to sell, the entire issued share capital of BVI Company at the Consideration of RMB254,000,000 (equivalent to approximately HK$304,800,000) (subject to adjustment according to the Filed and Confirmed Price and other relevant adjustments). CCHK and CCHG have agreed to undertake a series of reorganisation involving BVI Company, HK Company and the Travel Investment Companies (including Travel Investment, Huandao Gold, Underwater World, Underwater World Hotel and Ocean World and shall not include Huandao Travel Agency, collectively the "**Target Group**") prior to the completion of the Acquisition Agreement (the "**Pre-completion Reorganisation**"). We are advised by the management of the Company that the exclusion of Huandao Travel Agency from the Acquisition will not have an adverse effect on the Group's intention to expand into the tourism industry in Hainan because the business of Huandao Travel Agency is insignificant as it only had minimal business operation in the past few years and it incurred net loss after tax of RMB21,000 during the year ended 31 December 2009 and net profit after tax of RMB245,000 for the year ended 31 December 2010 in accordance with the accounting principles generally accepted in the PRC. Information regarding Huandao Travel Agency, including its historical financial performance, can be found in the announcement of the Company dated 27 July 2011.

The corporate charts below set out the simplified corporate structure of the Target Group to be acquired under the Acquisition Agreement (i) as at the date of the Acquisition Agreement; and (ii) after completion of the Pre-completion Reorganisation but prior to completion of the Acquisition Agreement.

Corporate structure of the Target Group as at the date of the Acquisition Agreement



Corporate structure of the Target Group after completion of the Pre-completion Reorganisation but prior to completion of the Acquisition Agreement



Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, pursuant to the document "Certain Opinion of the State Council of the PRC on Promoting the Construction and Development of Hainan International Tourism Island" (國務院關於推進海南國際旅遊島建設發展的若干意見) issued in January 2010 (the "**Opinion relating to Hainan International Tourism Island**") by the State Council of the PRC, it has become a national strategy of the PRC government to develop Hainan Province into an international tourist attraction. The Directors expect that there will be enormous development opportunities in Hainan tourism. Under the leadership of Huandao Group and CCHG, the Target Group has operated marine tourism business in Hainan Province for many years with extensive experience, established brand and network and abundant resources. We noted from the section headed "Information on the Target Group" that Underwater World and Underwater World Hotel, which contributed over 90% of the turnover to the Target Group, have been engaged in the hotel operation and provision of marine entertainment services. The Directors believe that the Acquisition would provide a new area for growth in the Group's business and bring better returns to the Company and the Shareholders. In addition, the cashflow of the Group will not be adversely affected as the Consideration will be satisfied by issuing the Consideration Shares to CCHK.

We noted from the annual report of the Company for the year ended 31 December 2010 (the "**Annual Report**") that it is the Group's intention to explore the possible implementation of injection of further quality assets and related businesses of CCHG. The Group will continue to carry out financial leasing, trading of coal and property development businesses in a stable manner, with a view to further shift its resources to businesses where it possesses an advantage to increase return on assets. As further noted from the Company's interim report for the six months ended 30 June 2011, the Company has intention to utilize its ample cash resources in seizing any possible investment opportunities.

Given the above, we consider that the Acquisition is in line with the Company's strategy to acquire quality assets and business of CCHG in order to improve its return to the Shareholders and hence is in the interests of the Company and the Shareholders as a whole.

2. Overview of the tourism industry in the PRC and Hainan

We have reviewed information sourced from Hainan Provincial Bureau of Statistics (the "**Hainan Statistics Bureau**") in respect of the economic development and development of the tourism industry in Hainan Province and the PRC, where the Target Group operated their tourism business.

Based on the Hainan Statistics Bureau, the number of visitors who stayed overnight in Hainan Province was approximately 25.9 million in 2010, representing an increase of approximately 15.0% when compared to 2009. The revenue generated from the tourism industry in Hainan Province amounted to approximately RMB25.8 billion in 2010, representing an increase of approximately 21.7% when compared to 2009. These statistics reflect that the tourism industry in Hainan has a satisfactory growth in 2010.

The fact that the tourism revenue generated from the domestic visitors (which refer to the visitors from the PRC excluding Hong Kong and Macau) represented approximately 91.5% of the total tourism revenue of Hainan Province shows the tourism demand in Hainan Province would largely depend on the financial conditions of the domestic visitors. According to the information from National Bureau of Statistics of China for the period from 2006 to 2010 (the "**Period**"), the gross domestic product ("**GDP**") of Hainan Province amounted to approximately RMB205.2 billion in 2010, representing a compound annual growth rate of approximately 18.2% over the Period and an increase of approximately 15.8% compared to 2009. In addition, the annual disposable income per capita of urban households in the PRC amounted to approximately RMB19,109 in 2010, representing an increase of approximately 7.8% when compared to 2009. In view of such economic growth in the PRC and Hainan Province, the Directors expect that the consumption on domestic travel will increase under the rising disposable income of PRC citizens and growing GDP of Hainan Province. The World Tourism Organisation 2020 market survey predicts that the PRC will be the largest receiving country in the world by 2020 with 130 million arrivals, having recorded an average growth rate between 1995 and 2020 of approximately 7.8% a year.

In order to facilitate the development of international tourism island of Hainan Province, the PRC Government has issued the Opinion relating to Hainan International Tourism Island in January 2010 which sets out the development strategies, plans and goals. For instance, the State Council aims to push the level of tourist service facilities, tourism management and service in Hainan Province to international accepted standards by 2020 and increase the proportion of GDP generating from the tourism industry relative to the total GDP of Hainan Province to 8% by 2015 and further to 12% by 2020. In addition, a tax rebate program for visitors was launched by the Hainan provincial government on 20 April 2011 as part of its strategies to develop Hainan Province into an international tourist and shopping destination. Under the tax rebate program, visitors are able to purchase tax-free commodities twice a year, which worth up to RMB5,000 for each purchase, from designated duty-free stores in Hainan Province. Taxes eligible for rebates include customs duties, import value added taxes and consumer taxes. These tax rebates can reduce prices by 10% to 35% when combined. Given that the tourism industry development in Hainan is actively supported by the PRC Government, we believe that the tourism industry in Hainan has a positive outlook.

3. Information on the Target Group

As at the Latest Practicable Date, BVI Company and HK Company have been incorporated. Pursuant to the Acquisition Agreement, CCHK and CCHG have agreed to undertake a series of reorganisation to transfer the Target Group, comprising of Travel Investment, Huandao Gold, Underwater World, Underwater World Hotel and Ocean World, to HK Company. Travel Investment is a limited liability company established in the PRC on 28 June 2007 with a registered capital of RMB136,000,000 (all of which has been paid up) as at the date hereof. Travel Investment acts as an investment holding company. As at the Latest Practicable Date, Travel Investment holds directly the equity interests in Underwater World, Underwater World Hotel and Huandao Gold and indirectly the equity interest in Ocean World, details of which are summarised as below:

Company	**Year established**	**Principal activities**
Underwater World	1995	Provision of marine entertainment services
Underwater World Hotel	1997	Hotel operation
Ocean World	2009	Provision of marine entertainment services
Huandao Gold	1989	Sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts.

The financial information of the Travel Investment and its subsidiaries, including Underwater World, Underwater World Hotel and Ocean World (collectively the "**Travel Investment Group**") and financial information of Huandao Gold as set out in Appendix II and III, respectively, to the Circular, is summarised as below:

Company	**Net assets value as at 31 May 2011**	**Revenue for the year ended 31 December 2010 ("FY2010")**	**Consolidated profit/(loss) attributable to the Owners of the Company for FY2010**
	RMB'000	*RMB'000*	*RMB'000*
Travel Investment Group	153,738	43,431	14,355
Huandao Gold	554	51	(127)
Total	154,292	43,482	14,228

Based on the financial information of the Travel Investment Group and Huandao Gold, the business of the Target Group was profitable for the two financial years immediately preceding the Acquisition. The Target Group recorded aggregated profits after tax of approximately RMB11.5 million and approximately RMB14.2 million for the year ended 31 December 2009 and 2010, respectively. Such profits were the sum of (i) profits after tax of approximately RMB11.6 million and approximately RMB14.3 million derived by the Travel Investment Group for the year ended 31 December 2009 and 2010, respectively; and (ii) losses after tax of approximately RMB124,000 and approximately RMB127,000 incurred by Huandao Gold for the year ended 31 December 2009 and 2010, respectively. The management of the Company explained that the operating result of the Target Group improved by approximately 23.5% in FY2010 when compared to the same period in 2009 is mainly attributable to the favourable tourism market in Hainan Province together with the improvement in capacity and quality of the business after the capital injection from CCHG during the year ended 31 December 2009 which drives higher demand for the leisure and entertainment facilities operated by the Target Group in Hainan Province.

As noted from the financial information of Travel Investment Group and Huandao Gold, the principal assets of the Target Group mainly comprise amounts due from related companies, hotel buildings and prepaid lease payments. The Target Group's amounts due from related companies, which represents the amount due from the CCHG Related Companies (as defined below), was approximately RMB71.0 million as at 31 May 2011, representing approximately 46.0% of net assets value of the Target Group (before fair value adjustments as mentioned under section headed "**Consideration**").

The book value of the Target Group's hotel buildings and prepaid lease payments was approximately RMB18.1 million as at 31 May 2011. As stated in the valuation report in accordance with international valuation standards prepared by a qualified independent valuer (the "**Valuer**") set out in Appendix V of the Circular (the "**Valuation Report**"), the Target Group's main properties comprise a 3-star resort hotel, built over a site with an area of approximately 9,982.9 sq.m. with 4 blocks of 3 to 4-storey buildings and various ancillary structures that provides 68 guest rooms and suites with various hotel facilities including three multi-functional rooms (which can be used as a restaurant, or conference rooms), a bar, shops and car park and the land use rights (the "**Property**"). The market value of the Property in existing state as at 31 July 2011 was approximately RMB110 million.

4. Major terms of the Acquisition Agreement

(a) Consideration

The Consideration to be payable by the Company pursuant to the Acquisition Agreement (subject to adjustment) shall be RMB254,000,000 (equivalent to approximately HK$304,800,000). In arriving at the final Consideration pursuant to the Acquisition Agreement, the Consideration will be adjusted based on the PRC Valuation and is subject to any further adjustment made according to the Adjustment Mechanism (as defined below). The maximum amount of the final Consideration is RMB279,400,000 (equivalent to approximately HK$335,280,000).

As noted from the Letter from the Board, the Consideration was determined with reference to the net assets value of the Target Group (on the basis that the Pre-completion Reorganisation has been completed) as at 31 May 2011, after taking into account the market value of the Property and the future prospects of the businesses operated by the Target Group.

The net asset value of the Target Group was approximately RMB154.3 million (equivalent to approximately HK$185.2 million) (being the aggregate amount of net asset value of Travel Investment Group of approximately RMB153.7 million (equivalent to approximately HK$184.5 million) and Huandao Gold of approximately RMB0.6 million (equivalent to approximately HK$0.7 million) as at 31 May 2011. It was adjusted by the following fair value adjustments (the "**Fair Value Adjustments**") as illustrated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular:

— The adjustment in relation to the excess of fair values of the hotel buildings and prepaid lease payments over their carrying amounts as at 31 May 2011 of approximately RMB6.9 million (equivalent to approximately HK$8.3 million) and RMB85.1 million (equivalent to approximately HK$102.1 million), respectively, with reference to the valuation carried out by an independent qualified professional valuer and the deferred tax on the fair value adjustment of approximately RMB23.0 million (equivalent to approximately HK$27.6 million). The fair values of hotel buildings and prepaid lease payments are with reference to the valuation as at 31 July 2011, of which there is no material difference in valuation between 31 May 2011 and 31 July 2011; and

— The adjustment in relation to the excess of fair value of the inventories held by Huandao Gold over their carrying amount as at 31 May 2011 of approximately RMB3.1 million (equivalent to approximately HK$3.7 million) calculated with reference to the weighted average price of gold announced by the Shanghai Gold Exchange as at 31 May 2011 and the deferred tax on the fair value adjustment of approximately RMB0.8 million (equivalent to approximately HK$0.9 million).

As the Property is the major asset of the Target Group, we consider it is fair and reasonable to adjust the net assets value of the Target Group by the valuation of the Property prepared by a qualified valuer in accordance with international valuation standards. In order to assess the Adjusted NAV and the fairness and reasonableness of the methodology used in arriving at the market value of the Property as at 31 July 2011, we have reviewed the Valuation Report and have discussed with the Valuer regarding the methodology adopted, the basis and assumptions used in arriving at the valuation. As noted from the Valuation Report, in performing the valuation, the Valuer has adopted the Direct Comparison Method which is based on comparable sales evidence or offerings as available in the relevant market. As advised by the Valuer, given the particulars of the Property held by the Target Group, the above methodologies are commonly adopted for valuation of properties in Hong Kong and the PRC and are also consistent with normal market practice. Further details of the basis and assumptions of the valuation are included in the Valuation Report as contained in Appendix V to the Circular.

In addition, we also consider it is fair and reasonable to adjust the value of gold inventory, with reference to the open market price of gold, such as the gold price published on the Shanghai Gold Exchange, to reflect the fair value of the inventories held by Huandao Gold.

By taking into account the Fair Value Adjustments mentioned above, the adjusted net asset value of the Target Group would be approximately RMB225.6 million (equivalent to approximately HK$270.7 million) (the "**Adjusted NAV**"). Accordingly, the Consideration of RMB254 million (before adjustment) represents a premium of approximately 12.6% to the Adjusted NAV of the Target Group.

In order to assess the fairness and reasonableness of the Consideration, we have performed price to earning multiple analysis (the "**PER**"), which is regarded as the most widely used and accepted method to value a company with recurrent income base, to compare the PER implied by the Acquisition with the PER of the selected comparables. After discussed with the Company regarding the PER comparison and based on our independent research, we have, to our best efforts, identified four companies (listing in Hong Kong and the PRC) (the "**Comparable Companies**") whose principal business is similar to that of the Target Group. The criteria for selecting the Comparable Companies are those companies principally engaged in tourism and hotel business with business in scenic spots operations. Set out below is the information of the Comparable Companies.

Name of Comparable Companies	**Stock code**	**Stock Exchange**	**Market Capitalisation (in million)** *(Note 1)*	**PER (times)** *(Note 1)*
Jiuzhou Development Company Limited	908	Hong Kong	HK$615	47.41
China Travel International Investment Hong Kong Limited	308	Hong Kong	HK$8,885	58.65
Beijing Capital Tourism Co., Ltd	600258	Shanghai	RMB4,006 (equivalent to approximately HK$4,807)	26.06
China CYTS Tours Holding Co., Ltd.	600138	Shanghai	RMB5,877 (equivalent to approximately HK$7,052)	22.85
			Minimum	22.85
			Maximum	58.65
			Average	38.74
The Acquisition			RMB254.0	17.9 *(Note 2)*

Source: Bloomberg

Notes:

1. Data regarding the market capitalisations, PERs of the Comparable Companies are sourced from Bloomberg as at 27 July 2011, being the date on which the Company, CCHK and CCHG entered into the Original Acquisition Agreement.

2. Calculated based on the Consideration (before adjustment) under the Acquisition Agreement and the aggregate profit after taxation of the Target Group for the year ended 31 December 2010 of approximately RMB14.2 million.

As noted from the table above, the PER for the Target Group as implied under the Acquisition is lower than the average PER of the Comparable Companies.

(b) Adjustment mechanism to the Consideration

As advised by the Company, the adjustment mechanism (the "**Adjustment Mechanism**") to the Consideration is incorporated to the Acquisition Agreement because it is a requirement under the PRC laws that the price for the transfer of interest in Target Group shall be filed with and confirmed by the State-owned Assets Supervision and Administration Commission of the State Council. As at the Latest Practicable Date, CCHK and CCHG are in the course of preparation of the application to the State-owned Assets Supervision and Administration Commission of the State Council.

The Adjustment Mechanism is summarised below:

	Adjustment Mechanism:	Implication to the consideration:
1)	if the Filed and Confirmed Price is higher or lower than the Consideration by not more than 10%, the Consideration shall be adjusted to an amount which equals the Filed and Confirmed Price;	Under this scenario, the maximum Consideration pursuant to the Acquisition Agreement will be RMB279,400,000 whereas the minimum Consideration will be RMB228,600,000. We consider that such clause is in the interest of the Company and the Independent Shareholders as a whole as we noted from the notice no.27 (中央企業境外國有資產監督管理暫行辦法) effective from 1 July 2011 issued by the State-owned Assets Supervision and Administration Commission of the State Council, which stipulates that the consideration of a transaction should be determined based on the valuation filed with and confirmed by the State Council.

2)	if the Filed and Confirmed Price shall be an amount equal to the Consideration, the Consideration will not be adjusted; and	We consider that such clause is in the interest of the Company and the Independent Shareholders as a whole as the Consideration is in line with the Filed and Confirmed Price.
3)	if the Filed and Confirmed Price shall be an amount higher or lower than the Consideration by more than 10%, the Company, CCHK and CCHG agreed that they will negotiate on the revised Consideration to be payable by the Company pursuant to the Acquisition Agreement. The negotiation on the revised Consideration, if required, will be based on fresh negotiation among the parties taking into account the Filed and Confirmed Price	We consider that such clause is in the interest of the Company and the Independent Shareholders as a whole as the Independent Shareholders will be given a chance to consider the revised Consideration at another general meeting to be convened by the Company in the event that the final Consideration pursuant to the Acquisition Agreement is 10% higher or lower than Consideration.

As discussed with the management of the Company, the Directors consider that the possible depreciation or appreciation in the value of the Property held by the Target Group during the interim period from the date of the Original Acquisition Agreement (27 July 2011) to the date of valuation of the PRC Valuation (at a date after CCHG has transferred Travel Investment to BVI Company pursuant to the reorganisation) (the "**Interim Period**") can be reflected and adjusted through the Adjustment Mechanism if the change in the value of the Property is not more than 10%. In addition, the Company will be able to put the whole transaction back to its Independent Shareholders for consideration and re-approval if the depreciation or appreciation in the value of the Property is more than 10%.

Given the above, we consider the Adjustment Mechanism complies with the relevant requirement under the PRC laws and provide adequate protection against the fluctuation in the value of the Property held by the Target Group during the Interim Period to the Company and its Shareholders, and therefore we are of the view that the Adjustment Mechanism is fair and reasonable.

If the final Consideration payable is adjusted to the maximum extent (i.e. RMB279,400,000), the PER would be 19.7; and if the final Consideration payable is adjusted to the minimum extent (i.e. RMB228,600,000), the PER would be 16.1. The PERs under these two scenario are lower than the average PER of the Comparable Companies.

Our view

Having regard to the above factors, and in particular that i) the Consideration of the Acquisition is determined with reference to the net assets value of the Target Group as adjusted by the market value of the Property as at 31 July 2011 and the market value of the gold inventory held by the Target Group; ii) the PERs implied by the Acquisition are below the average PER of the Comparable Companies; and iii) the Adjustment Mechanism is fair and reasonable, we consider that the basis to arrive at the final Consideration pursuant to the Acquisition Agreement to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Other terms of the Acquisition Agreement

1) Marine Use Right

Pursuant to the Acquisition Agreement, the completion of the Acquisition Agreement is conditional on the satisfaction of a condition that the certificate for renewal of validity period of Marine Use Right has been obtained by the relevant companies under the Target Group. Such condition cannot be waived by parties. If the above condition precedent set out in the Acquisition Agreement has not been satisfied on or before 30 June 2012 (or such other date as agreed by the parties), the Acquisition Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the Acquisition Agreement, save for any prior breaches of the terms of the Acquisition Agreement. As at the Latest Practicable Date, the Directors are not aware of any circumstance that would lead to failure to renew the Marine Use Right.

2) Undertakings by CCHG

Pursuant to the Acquisition Agreement, CCHG has undertaken, among other matters:

i. to indemnify the Company for any loss and costs incurred in connection with any breaches or non-compliance of any terms of the Acquisition Agreement by CCHK;

ii. to indemnify the Company in cash for any loss suffered after completion of the Acquisition Agreement as a result of the failure of any of the Target Group to obtain and/or renew any approval, licence, permit, right or qualification (including but not limited to Marine Use Right) necessary, as at or prior to the date of completion of the Acquisition Agreement, for the operation of the businesses currently engaged by the Target Group, the amount of indemnity to be assessed based on the average monthly net profits from the relevant business of the relevant company during the preceding financial year; and

iii. to indemnify the Company for any liabilities, payment obligations, fines or penalties imposed by any relevant regulatory authorities (regardless of whether such obligations or penalties are incurred by the business operation of the Target Group prior to or after the completion of the Acquisition) which might be incurred as a result of the failure of any of companies under the Target Group to obtain and/or renew, prior to completion of the Acquisition Agreement, any approval, licence, permit, right or qualification (including but not limited to Marine Use Right) necessary, as at or prior to the date of completion of the Acquisition Agreement, for the operation of the businesses engaged by the Target Group.

3) Pre-Completion Reorganisation Conditions Precedent

As noted from the Letter from the Board, in the event that any companies under the Target Group cannot be transferred to BVI Company pursuant to the Pre-completion Reorganisation, the Consideration shall be adjusted downward by an amount equivalent to the value of such company(ies) as assessed by a qualified PRC valuer who is approved by the parties to the Acquisition Agreement and in any event the amount to be deducted shall not be less than the net assets value of such company(ies) as shown in the unaudited management accounts of such company(ies) as at 31 May 2011. Given that the possible downward adjustment to the Consideration would be the higher of the value of such company(ies) as assessed by a qualified PRC valuer and the net assets value of the company(ies) as shown in the unaudited management accounts of such company(ies) as at 31 May 2011, we consider that such adjustment to the Consideration is fair and reasonable and is in the interest to the Company and Independent Shareholders as a whole.

4) Settlement of the receivables of the Target Group due from CCHG Related Companies

As noted from the Letter from the Board, it is one of the conditions precedents to the Acquisition Agreement that the receivables of the Target Group due from the CCHG Related Companies have been settled in full. If such receivables cannot be settled in full as at the date of completion of the Acquisition Agreement, the Company intends to waive such condition precedent. In this event, the Consideration will be adjusted downward by an amount equivalent to such unsettled receivables of the Target Group due from the CCHG Related Companies as at the date of completion of the Acquisition Agreement and we consider that such adjustment to the Consideration is fair and reasonable and is in the interest to the Company and Independent Shareholders as a whole.

Our view

Given that (i) the renewal of Marine Use Right is one of the conditions precedents set out in the Acquisition Agreement; (ii) CCHG has undertaken to indemnify the Company, as details mentioned above, for any loss suffered and/or any liabilities, payment obligations, fines or penalties imposed by any relevant regulatory authorities as a result of the failure of any of the Target Group to obtain and/or renew any necessary approval, licence, permit, right or qualification; and (iii) it is the terms in the Acquisition Agreement that the Consideration shall be adjusted as appropriate in the event that (a) any companies under the Target Group cannot be transferred to BVI Company pursuant to the Pre-completion Reorganisation; or (b) the receivables of the Target Group due from the CCHG Related Companies cannot be settled in full as at the date of completion of the Acquisition Agreement, we consider that the terms including the conditions precedents and the indemnities given by CCHG to the Company are normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole.

6. Issue price

The issue price of HK$0.47 per Consideration Share ("**Issue Price**") represents:

— a discount of approximately 2.08% to the closing price of HK$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;

— a discount of approximately 0.63% over the average closing price of HK$0.473 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

— a discount of approximately 0.63% over the average closing price of HK$0.473 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day; and

— a premium of approximately 38.2% over the closing price of HK$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

We noted that the issue price was arrived at after arm's length negotiations between the Company, CCHK and CCHG with reference to the prevailing Share prices prior to the Last Trading Day of the Company.

Source: Bloomberg

The chart above shows the closing price per Share on each trading day during the one year preceding the Last Trading Day prior to date of the Original Acquisition Agreement (the "**Pre-Announcement Period**") up to and including the Latest Practicable Date (the "**Post-Announcement Period**"). During the Pre-Announcement Period, the lowest closing price was HK$0.40 per Share and the highest closing price was HK$0.56 per Share. The daily average closing price per Share for the Pre-Announcement Period was HK$0.476. During the Post-Announcement Period, the lowest closing price was HK$0.31 per Share and the highest closing price was HK$0.50 per Share, with a daily average closing price of HK$0.41 per Share. As at the Latest Practicable Date, the Shares closed at HK$0.34.

In assessing the fairness of the Issue Price, we have, on a best effort basis, also reviewed recent placing and subscription of shares which were placed to a group of independent investors and issued under general mandate announced by the companies listed on the Main Board of the Stock Exchange (excluding those in suspension in trading) from 1 June 2011 up to and including the Latest Practicable Date (the "**Share Placements**"). We note that the issue price of the Share Placements ranged from a discount of 19.00% to a premium of 9.09% to the closing price of the Share Placements on the last trading date, with an average discount of 6.53% to the closing price of the Share Placements as at the last trading date (the "**Average Discount**"). Therefore, the Issued Price of HK$0.47, representing a discount of approximately 2.08% to the closing price of HK$0.48 per Share on the Last Trading Day and a discount of approximately 0.63% over the average closing price of HK$0.473 per Share as quoted on the Stock Exchange for the last five trading days, falls within the range of the Share Placements under review and is below the Average Discount of 6.53%.

As advised by the Company, the Board has considered other financing methods for satisfaction of the Consideration under the Acquisition. However, as the issue of Consideration Shares to settle the Consideration (i) helps the Group to preserve its cash resources that would enable the Company to reserve the cash readily available for financing its business development and other investment opportunities in a timely manner when such opportunities arise without immediately cash outlay or save the Company from any financial burden to raise the adequate funding for the Acquisition; (ii) does not result in an increase in the financial gearing of the Company; and (iii) enlarges the capital base of the Company, all of which would improve the Company's overall financial position, the Directors consider that payment by way of issue of the Consideration Shares is the most appropriate method.

Given the above, in particular that (i) the Issue Price was determined with reference to the prevailing market prices of the Share; (ii) the Issue Price is very close to the average closing price per Share for the Pre-Announcement Period; and (iii) the discounts of the Issue Price to the Share price on the Last Trading Day falls within the range of the Share Placements under review and is below the Average Discount of 6.53%, we consider the Issue Price and the issue of the Consideration Shares to fully satisfy the Consideration to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

7. Effect on shareholding interests of the Shareholders

Assuming that the Consideration is the final Consideration payable by the Company under the Acquisition Agreement, after issue of the Consideration Shares under the Acquisition Agreement, the shareholding interests of the public Shareholders will be diluted from approximately 45.22% to 39.10%. Assuming that the final Consideration payable by the Company under the Acquisition Agreement is adjusted to the maximum extent (i.e. RMB279,400,000 for the Acquisition Agreement) in accordance with the terms thereof, after issue of the Consideration Shares under the Acquisition Agreement, the shareholding interests of the public Shareholders will be diluted from approximately 45.22% to 38.58%.

Having considered that (i) the Acquisition would provide a new area for growth in the Group's business and bring better returns to the Company and the Shareholders, which are in line with the stated business strategy of the Group and could strengthen the future earning capacity of the Group; (ii) the Consideration for the Acquisition is fair and reasonable as elaborated above; and (iii) the Consideration of the Acquisition to be satisfied by the issue of the Consideration Shares would enable the Company to reserve the cash readily available for financing its business development and other investment opportunities in a timely manner when such opportunities arise without immediately cash outlay or save the Company from any financial burden to raise the adequate funding for the Acquisition, we concur with the view of the Directors that the issue of the Consideration Shares would enable the Company to enlarge its capital base and improve its overall financial position and is the appropriate method to satisfy the Consideration of the Acquisition. Having considered the above analyses, we consider that the shareholding dilution effect arising from the issue of the Consideration Shares is acceptable.

8. Possible financial effects of the Acquisition

Earnings

For the year ended 31 December 2010, the Target Group recorded net profit of approximately RMB14.2 million. Upon completion of the Acquisition Agreement, each of BVI Company, HK Company and the Target Group will become wholly owned subsidiaries of the Group and their results will be consolidated into the consolidated financial statements of the Group.

Net assets value

The Group had net assets value of approximately as at 30 June 2011 was approximately HK$1,574.3 million.

Upon completion of the Acquisition Agreement, the unaudited pro forma adjusted net assets value of the Enlarged Group will increase to approximately HK$1,878.1 million (referencing to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV of the Circular which assumes that the Acquisition had been completed on 30 June 2011), representing i) approximately HK$0.39 per Share (based on 4,173,434,227 Shares in issue as at the Latest Practicable Date and 653,169,039 Consideration Shares (assuming no adjustment to the consideration payable by the Company under the Acquisition Agreement) being issued upon completion) and; ii) approximately HK$0.38 per Share (based on 4,173,434,227 Shares in issue as at the Latest Practicable Date and 718,485,943 Consideration Shares (assuming the Consideration payable by the Company under the Acquisition Agreement is adjusted to its maximum extent being issued upon completion).

Working capital

As at 31 May 2011, the Target Group had cash of RMB22.5 million (equivalent to HK$27.0 million) and net current assets of approximately RMB82.3 million (equivalent to HK$98.8 million). As the Consideration will be funded by way of issue of Consideration Shares, the Acquisition will not have any adverse impact on the working capital position of the Group.

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we consider that the Acquisition Agreement is in the interests of Company and the Independent Shareholders as a whole and the terms thereof are of normal commercial terms and fair and reasonable so far as Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders and the Independent Board Committee of Company to recommend the Independent Shareholders of Company to vote in favour of the ordinary resolutions to be proposed at the EGM of Company to approve the Acquisition Agreement.

Yours faithfully,
For and on behalf of
CIMB Securities (HK) Limited

Alex Lau	**Alvin Tsui**
Head	*Vice President*
Corporate Finance	*Corporate Finance*

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

Financial information of the Group for each of the three years ended 31 December 2010 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkex.hk) and the Company (www.irasia.com/listco/hk/chengtong).

— annual report of the Company for the year ended 31 December 2010 published on 8 March 2011 (pages 25 to 85);

— annual report of the Company for the year ended 31 December 2009 published on 8 March 2010 (pages 23 to 84); and

— annual report of the Company for the year ended 31 December 2008 published on 3 April 2009 (pages 25 to 86).

2. INDEBTEDNESS

As at the close of business on 31 August 2011, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had an aggregate outstanding borrowings of approximately HK$769,280,000 comprising:

(a) outstanding bank loan of approximately RMB50,000,000 (equivalent to approximately HK$60,000,000) , which was secured by the land use right of a property held for development which amounted to approximately RMB89,000,000 (equivalent to approximately HK$106,800,000);

(b) unsecured loan of HK$600,000; and

(c) the Corporate Bond as at 31 August 2011 was approximately RMB590,567,000 (equivalent to approximately HK$708,680,000).

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 31 August 2011 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that following the completion of the Acquisition, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that save as disclosed in (i) the announcement of the Company dated 4 January 2011 in relation to the finance lease arrangement; (ii) the announcement of the Company dated 14 January 2011 in relation to a lease renewal agreement; (iii) the announcement of the Company dated 11 May 2011 in relation to issued RMB600,000,000 4.5% bonds due in 2014; (iv) the announcement of the Company dated 26 July 2011 in relation to the entrusted loan agreement and a loan agreement; (v) the announcement of the Company dated 12 August 2011 in relation to the entrusted fund management agreement; and (vi) the interim report of the Group for the six months ended 30 June 2011, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

Although the Mainland China maintained high GDP growth in the first half of the year ending 31 December 2011, its macro-control over property industry has been tightening. The PRC government continued its prudent monetary policy, while global inflation keeps rising and the crisis of European debt and rating of the United States' sovereign debt persists. Under such circumstances, each of the Group's businesses has been affected to various extents. In our opinion, the real estate industry will still be impacted by the macro control policy in the second half of the year ending 31 December 2011, and customers' purchasing power will be further weakened as property purchase restrictions are extended to second tier and third tier cities and the Mainland China commercial banks continue to tighten mortgage loans. In response, the Group will take proactive property sales strategies, speed up the collection of accounts receivable from property sales and strictly control cash flows. The Group will also rationalize the portfolio of its existing land resources, dispose of industrial lands with rapid value appreciation at appropriate time and select additions to our commercial and residential land bank in a prudent manner. In addition, the Group will make use of the financing platform of 誠通融資租賃有限公司 (unofficial translation as Chengtong Financial Leasing Company Limited), a wholly-owned subsidiary of the Company, to earn higher capital gains. Furthermore, the Group will aggressively develop bulk commodity trade such as trading of coal etc and closely monitor the opportunities for acquisition of upstream resources. Given the Group's rational assets and liabilities structure and ample cash resources, the management is very confident of the successful development of each business of the Group and its seizing any possible investment opportunities.

The following is the text of a report on Travel Investment Group, prepared for each of the three years ended 31 December 2010 and the five months ended 31 May 2011 for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu. A copy of the following accountants' report is available for inspection.

德勤‧關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30 September 2011

The Directors
China Chengtong Development Group Limited

Dear Sirs,

We set out below our report on the consolidated financial information relating to 海南寰島酒店旅遊投資有限公司(Hainan Huandao Hotel Travel Investment Co., Ltd.) ("Travel Investment") and its subsidiaries, (i) 海南寰島海底世界酒店有限公司 (Hainan Huandao Underwater World Hotel Co., Ltd.) ("Underwater World Hotel"); (ii) 海南亞龍灣海底世界旅遊有限公司 (Hainan Yalong Bay Underwater World Travel Co., Ltd.) ("Underwater World") and (iii) 陵水清水灣寰島海洋世界旅遊有限公司 (Lingshui Clearwater Bay Huandao Ocean World Travel Co., Ltd.) ("Ocean World"), (hereinafter collectively referred to as "Travel Investment Group") for each of the three years ended 31 December 2010 and the five months ended 31 May 2011 (the "Relevant Periods") (the "Travel Investment Group Financial Information") for inclusion in the circular issued by China Chengtong Development Group Limited (the "Company") dated 30 September 2011 (the "Circular") in connection with the proposed acquisition of the entire issued capital of Travel Investment by the Company.

Travel Investment has the following subsidiaries which are established in the People's of Republic of China (the "PRC") during the Relevant Periods and their particulars are as follows:

		Attributable equity interest held				
		As at 31 December			As at 31 May	
Name of subsidiaries	Paid-in capital	2008	2009	2010	2011	Principal activities
Underwater World Hotel *(Note 1)*	RMB8,000,000	80%	100%	100%	100%	Hotel operation
Underwater World *(Note 1)*	RMB96,000,000	100%	100%	100%	100%	Provision of marine entertainment services
Ocean World *(Note 1)*	RMB500,000	100%	100%	100%	100%	Provision of marine entertainment services
海口翠島溫泉度假酒店有限公司 (Haikou Cuidao Spa Resort Co. Ltd.) *(Note 2)*	RMB36,000,000	100%	N/A	N/A	N/A	Suspended operations in property development

Notes:

(1) Travel Investment holds directly the equity interests in Underwater World and Underwater World Hotel and indirectly the equity interest in Ocean World.

(2) 海口翠島溫泉度假酒店有限公司 (Haikou Cuidao Spa Resort Co. Ltd.) was held directly by Travel Investment and was disposed of in 2009.

Travel Investment was established in the PRC on 28 June 2007 as a limited liability company. The principal activity of Travel Investment is investment holding.

Travel Investment Group adopts 31 December as its financial year end date. The PRC statutory financial statements of the companies comprising Travel Investment Group for each of the three years ended 31 December 2010, prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises, were audited by 利安達會計師事務所有限責任公司 (Reanda Certified Public Accountants), certified public accountants registered in the PRC.

For the purpose of the preparation of this report, the directors of Travel Investment have prepared the management accounts of Travel Investment Group for the Relevant Periods in accordance with accounting policies set out in note 3 to this report which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") except for the failure to consolidate the financial information of Non-consolidated Subsidiaries in accordance with Hong Kong Accounting Standard ("HKAS") 27 "Consolidated and Separate Financial Statements" ("HKAS 27") and account for the share of results of operations and net assets of the jointly controlled entity in accordance with HKAS 31 "Interests in Joint Ventures" ("HKAS 31") for the year ended 31 December 2008 and 2009, where applicable, (the "Underlying Management Accounts"). We have carried out independent audit procedures we consider necessary in respect of the Underlying Management Accounts of Travel Investment Group for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Management Accounts for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Travel Investment Group Financial Information for the Relevant Periods set out in this report has been prepared based on the Underlying Management Accounts without making any adjustments for the purpose of inclusion in the Circular.

The directors of Travel Investment are responsible for preparing the Underlying Management Accounts. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Travel Investment Group Financial Information set out in this report from the Underlying Management Accounts, to form an independent opinion on the Travel Investment Group Financial Information and to report our opinion to you. However, for the purpose of this report, we were unable to carry out the procedures we considered necessary on the Travel Investment Group Financial Information for each of the two years ended 31 December 2008 and 2009 to form the basis for an opinion on Travel Investment Group Financial Information. Details of the limitation in the scope of our work are set out below.

海南寰島福瑞達實業有限公司 (Hainan Huandao Furuida Industrial Co. Ltd.) was acquired by Travel Investment Group as a wholly-owned subsidiary in 2008 and was deregistered in 2008. 海口翠島溫泉度假酒店有限公司 (Haikou Cuidao Spa Resort Co. Ltd.) (together with 海南寰島福瑞達實業有限公司 (Hainan Huandao Furuida Industrial Co. Ltd.), hereinafter referred to individually as "Non-consolidated Subsidiary" and together as "Non-consolidated Subsidiaries") was disposed of in 2009. 三亞亞龍灣中寰濱海公園管理有限公司 (Sanya Yalong Bay Zhonghuan Coastal Park Management Co. Ltd.), a jointly controlled entity of Travel Investment Group, was de-registered in 2008. The relevant financial information of the Non-consolidated Subsidiaries and the jointly controlled entity up to the respective dates of disposal or de-registration is not available to Travel Investment. Accordingly, investment in a Non-consolidated Subsidiary is included in consolidated statement of financial position of Travel Investment Group as at 31 December 2008 at cost, the results of the Non-consolidated Subsidiaries were not included in the Travel Investment Group Financial Information for each of the two years ended 31 December 2009, and the results of jointly controlled entity were not included in the Travel Investment Group Financial Information for the year ended 31 December 2008.

Travel Investment Group accounted for its investments in the Non-consolidated Subsidiaries and the jointly controlled entity at cost and up to the dates of de-registration in 2008 or disposal in 2009, where applicable. No relevant financial information about the Non-consolidated Subsidiaries and the jointly controlled entity has been provided to us by the directors of Travel Investment. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the carrying amounts of investments in Non-consolidated Subsidiaries and the jointly controlled entity were free from material misstatement as at 1 January 2008 and up to the dates of de-registration in 2008 and disposal in 2009. Any adjustments found to be necessary would affect the carrying amounts of the investments in Non-consolidated Subsidiaries and jointly controlled entity of Travel Investment Group as at 1 January 2008, and 31 December 2008, and the profit for each of the two years ended 31 December 2008 and 2009.

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had we been able to satisfy ourselves as to the matters as explained above, the Travel Investment Group Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Travel Investment Group as at 31 December 2008, 2009 and 2010 and 31 May 2011 and of Travel Investment Group's results and cash flows for the Relevant Periods.

Without further qualifying our opinion, we draw attention to note 4 to this report which describes the uncertainty related to the extension of marine use right period and thus may affect the determination of the estimated useful lives of Travel Investment Group's property, plant and equipment.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of Travel Investment Group for the five months ended 31 May 2010 together with the notes thereon (the "May 2010 Financial Information") have been extracted from Travel Investment Group's unaudited financial information for the same period which was prepared by the directors of Travel Investment Group solely for the purpose of this report. We have reviewed the May 2010 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the May 2010 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the May 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the May 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Travel Investment Group Financial Information which confirm with HKFRSs.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2008	2009	2010	2010	2011
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Turnover	8	30,527	39,079	43,431	23,911	26,861
Cost of sales		(15,811)	(16,720)	(18,240)	(8,051)	(10,599)
Gross profit		14,716	22,359	25,191	15,860	16,262
Other income	10	3,273	2,811	3,709	1,481	3,240
Selling expenses		(2,699)	(2,736)	(3,022)	(1,320)	(1,072)
Administrative expenses		(6,189)	(8,412)	(8,099)	(4,328)	(4,465)
Profit before taxation		9,101	14,022	17,779	11,693	13,965
Income tax expense	11	(1,163)	(2,385)	(3,424)	(2,204)	(2,180)
Profit and total other comprehensive income for the year/period	12	7,938	11,637	14,355	9,489	11,785
Profit and total other comprehensive income for the year/period attributable to						
Owners of the Company		6,918	11,637	14,355	9,489	11,785
Non-controlling interests		1,020	—	—	—	—
		7,938	11,637	14,355	9,489	11,785

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
		2008	2009	2010	2011
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	15	28,455	28,169	42,751	57,978
Prepaid lease payments	16	4,141	4,012	3,883	3,829
Investment in a Non-consolidated Subsidiary	18	36,000	—	—	—
Deposits for acquisition of property, plant and equipment	19	—	—	24,740	10,146
Amounts due from related companies	22	46,381	57,731	54,009	—
		114,977	89,912	125,383	71,953
Current assets					
Inventories	20	1,242	1,243	1,306	1,327
Prepaid lease payments	16	129	129	129	129
Trade and other receivables	21	351	662	1,216	1,106
Amounts due from related companies	22	—	—	—	70,965
Bank balances and cash	23	10,755	79,967	33,774	22,458
		12,477	82,001	36,425	95,985

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*

					As at
		As at 31 December			**31 May**
		2008	**2009**	**2010**	**2011**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Trade and other payables	24	5,578	6,058	7,141	7,627
Amounts due to related companies	25	59,267	15,449	11,884	5,884
Tax payables		768	393	830	689
		65,613	21,900	19,855	14,200
Net current (liabilities) assets		(53,136)	60,101	16,570	81,785
Total assets less current liabilities		61,841	150,013	141,953	153,738
Capital and reserves					
Paid-in capital	26	50,000	136,000	136,000	136,000
Reserves		5,441	14,013	5,953	17,738
Equity attributable to equity owners of the Company		55,441	150,013	141,953	153,738
Non-controlling interests		6,400	—	—	—
Total equity		61,841	150,013	141,953	153,738

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity owners of the Company					
	Paid-in capital *RMB'000*	**Statutory reserve** *RMB'000* *(Note)*	**Retained profits** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2008	50,000	—	986	50,986	5,380	56,366
Profit and total comprehensive income for the year	—	—	6,918	6,918	1,020	7,938
Deemed distribution on interest-free advances due from related companies	—	—	(2,463)	(2,463)	—	(2,463)
Transfer	—	408	(408)	—	—	—
At 31 December 2008	50,000	408	5,033	55,441	6,400	61,841
Profit and total comprehensive income for the year	—	—	11,637	11,637	—	11,637
Increase in paid-in capital	86,000	—	—	86,000	—	86,000
Deemed distribution on interest-free advances due from related companies	—	—	(3,065)	(3,065)	—	(3,065)
Transfer	—	751	(751)	—	—	—
Acquisition of additional interest in a subsidiary *(note 10(b))*	—	—	—	—	(6,400)	(6,400)
At 31 December 2009	136,000	1,159	12,854	150,013	—	150,013
Profit and total comprehensive income for the year	—	—	14,355	14,355	—	14,355
Deemed distribution on interest-free advances due from related companies	—	—	(3,138)	(3,138)	—	(3,138)
Transfer	—	3,337	(3,337)	—	—	—
Dividend paid *(note 14)*	—	—	(19,277)	(19,277)	—	(19,277)
At 31 December 2010	136,000	4,496	1,457	141,953	—	141,953
Profit and total comprehensive income for the period	—	—	11,785	11,785	—	11,785
At 31 May 2011	136,000	4,496	13,242	153,738	—	153,738
At 1 January 2010	136,000	1,159	12,854	150,013	—	150,013
Profit and total comprehensive income for the period	—	—	9,489	9,489	—	9,489
Deemed distribution on interest-free advances due from related companies	—	—	(4,052)	(4,052)	—	(4,052)
At 31 May 2010 (Unaudited)	136,000	1,159	18,291	155,450	—	155,450

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(continued)*

Note: As stipulated by the relevant laws and regulations in the PRC, the companies comprising Travel Investment Group established in the PRC shall set aside 10% of their net profit to the statutory reserve before the distribution of the net profit each year/period until the balance reaches 50% of their paid-in capital. The statutory reserve can only be used upon approval by the board of directors of the respective companies comprising Travel Investment Group to offset accumulated losses or increase paid-in capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
		2008	2009	2010	2010	2011
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Operating activities						
Profit before taxation		9,101	14,022	17,779	11,693	13,965
Adjustments for:						
Depreciation of property, plant and equipment		5,515	4,151	4,896	1,922	2,811
Imputed interest income on amounts due from related companies		(3,089)	(2,463)	(3,065)	(1,277)	(3,138)
Interest income		(59)	(43)	(498)	(179)	(61)
Gain on de-registration of a Non-consolidated Subsidiary	10(a)	(120)	—	—	—	—
Loss on disposal of property, plant and equipment		440	85	13	—	227
Amortisation of prepaid lease payments		129	129	129	54	54
Discount on acquisition of additional interest in a subsidiary	10(b)	—	(300)	—	—	—
Operating cash flow before movements in working capital		11,917	15,581	19,254	12,213	13,858
Increase in inventories		(73)	(1)	(63)	(96)	(21)
Decrease (increase) in trade and other receivables		403	(311)	(554)	(997)	110
(Decrease) increase in trade and other payables		(1,290)	480	1,083	568	486
Cash flows generated from operating activities		10,957	15,749	19,720	11,688	14,433
PRC Enterprise Income Tax paid		(1,323)	(2,760)	(2,987)	(1,807)	(2,321)
Net cash generated from operating activities		9,634	12,989	16,733	9,881	12,112

CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*

		Year ended 31 December			Five months ended 31 May	
		2008	2009	2010	2010	2011
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from investing activities						
Interest received		59	43	498	179	61
Proceeds from disposal of property, plant and equipment		123	464	643	127	682
Purchase of property, plant and equipment		(5,134)	(4,414)	(20,134)	(2,546)	(4,353)
Deposits paid for acquisition of property, plant and equipment		—	—	(24,740)	(17,812)	—
Distribution from de-registration of a jointly controlled entity	17	500	—	—	—	—
Advances due from related companies		(5,882)	—	(30,246)	(19,556)	(13,818)
Repayments from related companies		1,601	24,048	14,618	—	—
Net cash (used in) from investing activities		(8,733)	20,141	(59,361)	(39,608)	(17,428)
Cash flows from financing activities						
Proceeds from capital injection		—	86,000	—	—	—
Advances from related companies		5,881	600	6,000	—	—
Repayments to related companies		(1,748)	(44,418)	(9,565)	(2,608)	(6,000)
Consideration paid for acquisition of additional interest of a subsidiary	10(b)	—	(6,100)	—	—	—
Net cash from (used in) financing activities		4,133	36,082	(3,565)	(2,608)	(6,000)
Net increase (decrease) in cash and cash equivalents		5,034	69,212	(46,193)	(32,335)	(11,316)
Cash and cash equivalents at the beginning of the year/period		5,721	10,755	79,967	79,967	33,774
Cash and cash equivalents at the end of the year/period, representing bank balances and cash		10,755	79,967	33,774	47,632	22,458

NOTES TO FINANCIAL INFORMATION

1. GENERAL

Travel Investment was established in the PRC on 28 June 2007 as a limited liability company. Travel Investment acts as an investment holding company. The details of the principal activities of its subsidiaries consolidated in the Travel Investment Group Financial Information are disclosed on the introductory section of this report.

On 30 November 2007, 寰島南方實業發展有限公司 (Huandao Nanfang Industrial Development Co., Ltd.) ("Huandao Nanfang") paid up 100% of the registered capital of Travel Investment of RMB50,000,000. Huandao Nanfang is a wholly-owned subsidiary of 中國誠通控股集團有限公司 (China Chengtong Holdings Group Limited) ("CCHG"). The directors of Travel Investment regard Huandao Nanfang as its immediate holding company and CCHG as ultimate holding company for the year ended 31 December 2008.

On 9 December 2009, CCHG paid-up additional registered capital of Travel Investment of RMB86,000,000 and became a shareholder of Travel Investment, holding 63.24% of paid-in registered capital of Travel Investment. On 27 July 2010, Huandao Nanfang disposed of its entire shareholding in Travel Investment to 中國寰島(集團)公司 (China Huandao (Group) Co.) ("Huandao Group"), which is wholly-owned by CCHG. The directors of Travel Investment regard Huandao Nanfang and Huandao Group as its fellow subsidiaries and CCHG as its ultimate holding company respectively for the two years ended 31 December 2009 and 2010 and for the five months ended 31 May 2011.

The Travel Investment Group Financial Information is presented in Renminbi ("RMB"), which is also functional currency of Travel Investment.

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

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards ("HKAS"s) and HKFRSs, Amendments and Interpretations ("INT") (hereinafter collectively referred to as the "new HKFRSs") which are effective for Travel Investment Group's financial period beginning on 1 January 2011. For the purposes of preparing and presenting Travel Investment Group Financial Information for the Relevant Periods, Travel Investment Group has adopted all HKFRSs applicable to financial year beginning on 1 January 2011 during the Relevant Periods except as those specified in note 3 below.

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

Travel Investment Group has not early applied the following revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopter[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets [1]
HKFRS 9	Financial instruments [2]
HKFRS 10	Consolidated financial statements [2]
HKFRS 11	Joint arrangements [2]
HKFRS 12	Disclosure of interests in other entities [2]
HKFRS 13	Fair value measurement [2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]

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

The new or revised standards in relation to consolidation, joint arrangements and disclosures, namely HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011) and HKAS 28 (Revised 2011), were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment.

The directors of Travel Investment anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and financial position of Travel Investment Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Travel Investment Group Financial Information has been prepared under the historical cost basis in accordance with HKFRSs issued by the HKICPA except for the failure to consolidate the financial information of the Non-consolidated Subsidiaries in accordance with HKAS 27 for the year ended 31 December 2008 and 2009 and to account for the share of results of operations and net assets of jointly controlled entity using equity method in accordance with HKAS 31 for the year ended 31 December 2008 because of no relevant financial information of the Non-consolidated Subsidiaries and jointly controlled entity has been provided to us by the directors of Travel Investment. In addition, Travel Investment Group Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

Basis of consolidation

The Travel Investment Group Financial Information incorporates the financial statements of Travel Investment and entities controlled by Travel Investment (its subsidiaries), except for those of the Non-consolidated subsidiaries. Control is achieved where Travel Investment has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal/de-registration, as appropriate, except for those of the Non-consolidated subsidiaries.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Allocation of total comprehensive income to non-controlling interests

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

Changes in Travel Investment Group's ownership interests in existing subsidiaries

<u>Changes in Travel Investment Group's ownership interests in existing subsidiaries on or after 1 January 2010</u>

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation ***(continued)***

Changes in Travel Investment Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in Travel Investment Group losing control over the subsidiaries, the difference between the consideration received and the attributable carrying amount of the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1 January 2010

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of Travel Investment Group are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations ***(continued)***

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

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

Business combinations that took place prior to 1 January 2010

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES *(continued)***

Investments in Non-consolidated Subsidiaries

Investments in Non-consolidated subsidiaries represents investments in 海南寰島福瑞達實業有限公司 (Hainan Huandao Furuida Industrial Co. Ltd.) and 海口翠島溫泉度假酒店有限公司 (Haikou Cuidao Spa Resort Co. Ltd.), which are included in Travel Investment Group's consolidated statement of financial position at costs less any identified impairment losses.

Investment in a jointly controlled entity

Investment in a jointly controlled entity, 三亞亞龍灣中寰濱海公園管理有限公司 (Sanya Yalong Bay Zhonghuan Coastal Park Management Co. Ltd.) was included in Travel Investment Group's consolidated statement of financial position at cost less any identified impairment losses.

Revenue recognition

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

Revenue from hotel accommodation is recognised upon the provision of the accommodation services. Revenue from food and beverage sales and other ancillary services are recognised upon the sales of goods and provision of services respectively.

Service income from provision of marine entertainment services is recognised when services are provided.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on assets

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a Travel Investment Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

<u>Financial assets</u>

Travel Investment Group's financial assets are loans and receivables.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables including trade and other receivables, amounts due from related companies and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments ***(continued)***

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by Travel Investment Group entities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Travel Investment Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

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

Leasehold land and building

When a lease includes both land and building elements, Travel Investment Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Travel Investment Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Retirement benefit schemes

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Travel Investment Group's accounting policies, which are described in note 3, the directors of Travel Investment are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowances for doubtful debts

Travel Investment Group makes allowance for trade and other receivables and amounts due from related companies based on an assessment of the recoverability of each receivable. Allowance is applied to trade and other receivables and amounts due from related companies where events or changes in circumstances indicate that the balances may not be collective. The identification of allowance requires the use of judgment and estimates. When the expectation on the recoverability of trade and other receivables and amounts due from related companies is different from the original estimate, such difference will impact the carrying value of trade and other receivables and amounts due from related companies and doubtful debt expenses in the periods in which such estimate had been changed.

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

Useful lives of property, plant and equipment

The directors of Travel Investment determine the estimated useful lives and related depreciation charges for Travel Investment Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and on the assumption that the PRC government will continue to renew the marine use right which was granted to a subsidiary and expired in December 2009 and under which a significant portion of the Group's property, plant and equipment are operating in the respective sea area. The respective subsidiary has been operating within the sea area subject to the extension of marine use right since the expiry of such marine use right in 2009. Travel Investment Group has been undergoing negotiation with the PRC government on the extension since then. The directors of Travel Investment are of the opinion that the relevant subsidiary does not expect significant difficulties in getting from the PRC government an extension of the marine use right period of sufficient span to support Travel Investment Group's marine entertainment services without incurring significant costs. Accordingly, the property, plant and equipment are depreciated over their currently estimated useful lives on the assumption that the marine use right period can be extended successfully and continually. The estimated useful lives and related depreciation charges may change significantly if application of the extension of the marine use right is rejected. The directors of Travel Investment will increase the depreciation charges where useful lives are shorter than the currently estimated lives or it will write-off or write-down the assets operating in association with the marine use right.

5. CAPITAL RISK MANAGEMENT

Travel Investment Group manages its capital to ensure that Travel Investment Group will be able to continue as a going concern while maximising the return to equity owners of Travel Investment through the optimisation of the equity balance.

The capital structure of Travel Investment Group consists of net debts, representing amounts due to related companies net of cash and cash equivalents, and equity attributable to owners of Travel Investment Group, comprising paid-in capital and reserves including retained profits.

The directors of Travel Investment review the capital structure on a regular basis. As part of this review, the directors of Travel Investment consider the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through the payment of dividends and new capital raising.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	57,487	138,305	88,997	94,527
Financial liabilities				
Amortised cost	64,420	21,062	18,961	13,258

(b) Financial risk management objectives and policies

Travel Investment Group's major financial assets and liabilities include trade and other receivables, amounts due from (to) related companies, bank balances and cash and trade and other payables. The risks associated with these financial instruments and the policies on how to mitigate credit risk, foreign currency risk and liquidity risk are set out below. The directors of Travel Investment manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Travel Investment Group's credit risk is primarily attributable to trade and other receivables, and amounts due from related companies and bank balances.

In order to minimise the credit risk, the directors of Travel Investment have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of Travel Investment review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Travel Investment consider that Travel Investment Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Travel Investment Group has concentration of credit risk on several related parties as at 31 December 2008, 31 December 2009, 31 December 2010 and 31 May 2011. The directors of Travel Investment closely monitor the subsequent settlement of the counterparties. In addition, amount due from the related parties as at 31 May 2011 are undertaken by the intermediate holding company of the Company, China Chengtong Hong Kong Company Limited ("CCHK") for full settlement of these receivables in case of that the related companies are not able to repay. In this regard the directors of Travel Investment consider the credit risk is significantly reduced.

Foreign currency risk

Travel Investment Group collects all of its revenue in RMB and incurs all of the expenditures as well as capital expenditures in RMB. The directors of Travel Investment consider that Travel Investment Group has no exposures to any foreign currency exchange risk.

Liquidity risk management

The directors of Travel Investment have built an appropriate liquidity risk management framework for the management of Travel Investment Group's short, medium and long-term funding and liquidity management requirements. Travel Investment Group manages liquidity risk by maintaining sufficient bank balances and by continuously monitoring forecast and actual cash flows, and the maturity profile of financial liabilities.

At 31 December 2008, 2009 and 2010 and 31 May 2011, all Travel Investment Group's non-derivative financial liabilities are interest-free and their remaining contractual maturities are on demand. The undiscounted cash flows of financial liabilities are the same as their carrying amounts.

(c) Fair value

The directors of Travel Investment consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the end of the reporting period approximate their corresponding fair values.

7. SEGMENT INFORMATION

Travel Investment Group is engaged in two reportable segments being provision of (i) hotel and beverage services; and (ii) marine entertainment services for tourists. The directors of Travel Investment being the chief operating decision maker reviewed the overall results of Travel Investment Group for the purpose of result allocation and performance assessment. Travel Investment Group principally operates in the PRC (country of domicile) with all of its results derived from its operation in the PRC. Analysis of Travel Investment Group's non-current assets is not presented as they are all located in PRC.

All the segment revenue reported below is from external customers.

The following is an analysis of the Travel Investment Group's revenue and assets by reportable segments.

Segment revenue and results

For the year ended 31 December 2008

	Marine entertainment services	**Hotel and beverage services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Turnover			
Segment turnover	16,347	14,180	30,527
Result			
Segment profit	6,145	917	7,062
Unallocated other income			3
Unallocated corporate expenses			(1,173)
Imputed interest income on amounts due from related companies			3,089
Gain on de-registration of a Non-consolidated Subsidiary			120
Profit before taxation			9,101

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results (continued)

For the year ended 31 December 2009

	Marine entertainment services *RMB'000*	**Hotel and beverage services** *RMB'000*	**Total** *RMB'000*
Turnover			
Segment turnover	24,418	14,661	39,079
Result			
Segment profit	11,782	840	12,622
Unallocated other income			11
Unallocated corporate expenses			(1,374)
Imputed interest income on amounts due from related companies			2,463
Discount on acquisition of additional interest in a subsidiary			300
Profit before taxation			14,022

For the year ended 31 December 2010

	Marine entertainment services *RMB'000*	**Hotel and beverage services** *RMB'000*	**Total** *RMB'000*
Turnover			
Segment turnover	29,429	14,002	43,431
Result			
Segment profit	15,235	379	15,614
Unallocated other income			368
Unallocated corporate expenses			(1,268)
Imputed interest income on amounts due from related companies			3,065
Profit before taxation			17,779

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results (continued)

For the five months ended 31 May 2010 (Unaudited)

	Marine entertainment services *RMB'000*	**Hotel and beverage services** *RMB'000*	**Total** *RMB'000*
Turnover			
Segment turnover	16,061	7,850	23,911
Result			
Segment profit	9,885	1,460	11,345
Unallocated other income			174
Unallocated corporate expenses			(1,103)
Imputed interest income on amounts due from related companies			1,277
Profit before taxation			11,693

For the five months ended 31 May 2011

	Marine entertainment services *RMB'000*	**Hotel and beverage services** *RMB'000*	**Total** *RMB'000*
Turnover			
Segment turnover	18,158	8,703	26,861
Result			
Segment profit	8,407	2,501	10,908
Unallocated other income			54
Unallocated corporate expenses			(135)
Imputed interest income on amounts due from related companies			3,138
Profit before taxation			13,965

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results (continued)

The accounting policies of the reportable segments are the same as the Travel Investment Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries and imputed interest income on amount due from related companies. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2008

	Marine entertainment services	**Hotel and beverage services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	54,856	34,074	88,930
Unallocated			40,987
Discounted value of amounts due from related companies			(2,463)
Consolidated assets			127,454

	Marine entertainment services	**Hotel and beverage services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment liabilities	22,963	3,197	26,160
Unallocated			39,453
Consolidated liabilities			65,613

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities (continued)

As at 31 December 2009

	Marine entertainment services *RMB'000*	Hotel and beverage services *RMB'000*	Total *RMB'000*
Segment assets	42,827	28,114	70,941
Unallocated			104,037
Discounted value of due from related companies			(3,065)
Consolidated assets			171,913

	Marine entertainment services *RMB'000*	Hotel and beverage services *RMB'000*	Total *RMB'000*
Segment liabilities	9,245	2,590	11,835
Unallocated			10,065
Consolidated liabilities			21,900

As at 31 December 2010

	Marine entertainment services *RMB'000*	Hotel and beverage services *RMB'000*	Total *RMB'000*
Segment assets	58,055	26,896	84,951
Unallocated			79,995
Discounted value of due from related companies			(3,138)
Consolidated assets			161,808

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities (continued)

As at 31 December 2010 ***(continued)***

	Marine entertainment services *RMB'000*	Hotel and beverage services *RMB'000*	Total *RMB'000*
Segment liabilities	10,748	2,606	13,354
Unallocated			6,501
Consolidated liabilities			19,855

As at 31 May 2011

	Marine entertainment services *RMB'000*	Hotel and beverage services *RMB'000*	Total *RMB'000*
Segment assets	67,314	29,127	96,441
Unallocated			71,497
Consolidated assets			167,938

	Marine entertainment services *RMB'000*	Hotel and beverage services *RMB'000*	Total *RMB'000*
Segment liabilities	11,299	2,377	13,676
Unallocated			524
Consolidated liabilities			14,200

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities (continued)

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

- all assets are allocated to reportable segments other than investment in a Non-consolidated Subsidiary, certain property, plant and equipment, amounts due from related companies, bank balances and cash of Travel Investment.

- all liabilities are allocated to reportable segments other than trade and other payables and amount due to related companies of Travel Investment.

- no assets or liabilities are used jointly by reportable segments.

Other segment information

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

For the year ended 31 December 2008

	Marine entertainment services	**Hotel and beverage services**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to non-current assets excluding financial instruments	4,323	465	346	5,134
Loss on disposal of property, plant and equipment	(420)	(20)	—	(440)
Depreciation of property, plant and equipment	(885)	(4,618)	(12)	(5,515)
Amortisation of prepaid lease payments	—	(129)	—	(129)
Gain on de-registration of a Non-consolidated Subsidiary	—	—	120	120

7. SEGMENT INFORMATION *(continued)*

Other segment information (continued)

For the year ended 31 December 2009

	Marine entertainment services	Hotel and beverage services	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to non-current assets excluding financial instruments	3,266	72	1,076	4,414
Loss on disposal of property, plant and equipment	(44)	(41)	—	(85)
Depreciation of property, plant and equipment	(1,208)	(2,816)	(127)	(4,151)
Amortisation of prepaid lease payments	—	(129)	—	(129)
Discount on acquisition of additional interest in a subsidiary	300	—	—	300

For the year ended 31 December 2010

	Marine entertainment services	Hotel and beverage services	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to non-current assets excluding financial instruments	44,096	394	384	44,874
Loss on disposal of property, plant and equipment	(13)	—	—	(13)
Depreciation of property, plant and equipment	(1,990)	(2,699)	(207)	(4,896)
Amortisation of prepaid lease payments	—	(129)	—	(129)

7. SEGMENT INFORMATION *(continued)*

Other segment information (continued)

For the five months period 31 May 2010 (Unaudited)

	Marine entertainment services	Hotel and beverage services	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to non-current assets excluding financial instruments	20,343	15	—	20,358
Depreciation of property, plant and equipment	(615)	(1,220)	(87)	(1,922)
Amortisation of prepaid lease payments	—	(54)	—	(54)

For the five months period 31 May 2011

	Marine entertainment services	Hotel and beverage services	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions to non-current assets excluding financial instruments	4,348	5	—	4,353
Loss on disposal of property, plant and equipment	(227)	—	—	(227)
Depreciation of property, plant and equipment	(1,938)	(801)	(72)	(2,811)
Amortisation of prepaid lease payments	—	(54)	—	(54)

8. TURNOVER

Travel Investment Group is mainly engaged in the hotel operation and provision of marine entertainment services in the Hainan province of the PRC.

	Year ended 31 December			Five months ended 31 May	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Marine entertainment services income	16,236	24,206	29,174	15,913	18,031
Hotel services income	6,096	6,615	6,622	4,115	4,360
Beverage services income	5,913	5,692	4,999	2,686	3,252
Sales of goods	273	319	401	178	222
Other ancillary income	2,009	2,247	2,235	1,019	996
	30,527	39,079	43,431	23,911	26,861

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

Directors' remuneration

For the year ended 31 December 2008

The remuneration paid or payable to the 5 directors of Travel Investment was as follows:

	袁紹理	馮寶忠	沈成湘	張為眾	崔子秋	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fees	—	—	—	—	—	—
Salaries	—	—	—	661	—	661
Allowance	—	—	—	4	—	4
Pension	—	—	—	—	—	—
Total emoluments	—	—	—	665	—	665

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

Directors' remuneration (continued)

For the year ended 31 December 2009

The remuneration paid or payable to the 5 directors of Travel Investment was as follows:

	袁紹理 *RMB'000*	馮寶忠 *RMB'000*	沈成湘 *RMB'000*	張為眾 *RMB'000*	崔子秋 *RMB'000*	Total *RMB'000*
Fees	—	—	—	—	—	—
Salaries	—	—	—	266	—	266
Allowance	—	—	—	4	—	4
Pension	—	—	—	—	—	—
Total emoluments	—	—	—	270	—	270

For the year ended 31 December 2010

The remuneration paid or payable to the 8 directors of Travel Investment was as follows:

	袁紹理 *RMB'000*	馮寶忠 *RMB'000*	沈成湘 *RMB'000*	張為眾 *RMB'000*	崔子秋 *RMB'000*	湯笑星 *RMB'000*	查日平 *RMB'000*	李傑 *RMB'000*	Total *RMB'000*
Fees	—	—	—	—	—	—	—	—	—
Salaries	—	—	—	—	—	—	215	—	215
Allowance	—	—	—	4	—	—	4	—	8
Pension	—	—	—	20	—	—	23	—	43
Total emoluments	—	—	—	24	—	—	242	—	266

For the five months ended 31 May 2010 (Unaudited)

The remuneration paid or payable to the 8 directors of Travel Investment was as follows:

	袁紹理 *RMB'000*	馮寶忠 *RMB'000*	沈成湘 *RMB'000*	張為眾 *RMB'000*	崔子秋 *RMB'000*	湯笑星 *RMB'000*	查日平 *RMB'000*	李傑 *RMB'000*	Total *RMB'000*
Fees	—	—	—	—	—	—	—	—	—
Salaries	—	—	—	—	—	—	140	—	140
Allowance	—	—	—	2	—	—	2	—	4
Pension	—	—	—	8	—	—	9	—	17
Total emoluments	—	—	—	10	—	—	151	—	161

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(continued)*

Directors' remuneration (continued)

For the five months ended 31 May 2011

The remuneration paid or payable to the 5 directors of Travel Investment was as follows:

	袁紹理	湯笑星	查日平	李傑	張為眾	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fees	—	—	—	—	—	—
Salaries	—	—	95	—	—	95
Allowance	—	—	1	—	—	1
Pension	—	—	—	—	—	—
Total emoluments	—	—	96	—	—	96

During the Relevant Periods, no remuneration was paid by Travel Investment Group to the directors of Travel Investment as an inducement to join or upon joining Travel Investment Group or as compensation for loss of office. None of the directors of Travel Investment has waived any remuneration during the Relevant Periods.

Employees' emoluments

The five highest paid individuals included one director of Travel Investment for each of the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2010 and 2011. The emoluments of the remaining four individuals for each of the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2010 and 2011, which were individually less than HK$1,000,000, were as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	378	543	765	334	227
Contributions to retirement benefit scheme	29	33	47	21	24
	407	576	812	355	251

During the Relevant Periods, no emoluments were paid by Travel Investment to the five highest paid individuals as an inducement to join or upon joining Travel Investment.

10. OTHER INCOME

	Year ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Gain on de-registration of a Non-consolidated Subsidiary *(Note (a))*	120	—	—	—	—
Imputed interest income on amounts due from related companies	3,089	2,463	3,065	1,277	3,138
Bank interest income	59	43	498	179	61
Discount on acquisition of additional interest in a subsidiary *(Note (b))*	—	300	—	—	—
Others	5	5	146	25	41
	3,273	2,811	3,709	1,481	3,240

Notes:

(a) During the year ended 31 December 2008, a Non-consolidated subsidiary海南寰島福瑞達實業有限公司 (Hainan Huandao Furuida Industrial Co. Ltd.) was deregistered. Upon the completion of the de-registration, a gain on de-registration of a Non-consolidated Subsidiary of approximately RMB120,000 was recognised in profit or loss.

(b) Travel Investment Group acquired additional 20% equity interest in Underwater World in 2009 at a consideration of RMB6,100,000 and Underwater World became a wholly-owned subsidiary since then. Discount on acquisition of additional interest in a subsidiary of approximately RMB300,000 was credited to consolidated statement of comprehensive income, representing the difference in the carrying amount of the non-controlling interests of RMB6,400,000 and the consideration of paid by Travel Investment Group at the date of acquisition.

11. INCOME TAX EXPENSE

	Year ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax - PRC Enterprise Income Tax	1,163	2,385	3,424	2,204	2,180

11. INCOME TAX EXPENSE *(continued)*

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of two subsidiaries of Travel Investment Group which were entitled to preferential tax rates in prior years was increased from 18% to 25% gradually by 2012. Other entities of Travel Investment Group are subject to 25% under the New Law and Implementation of regulation of the New Law.

Statement of reconciliation of taxation is as follows:

	Year ended 31 December			Five months ended 31 May	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	9,101	14,022	17,779	11,693	13,965
Tax at EIT rate of (2008: 18%, 2009: 20%, 2010: 22% and 2011: 24%)	1,638	2,804	3,911	2,572	3,352
Tax effect of expenses not deductible for tax purpose	58	67	130	23	140
Tax effect of income not taxable for tax purpose	(556)	(555)	(699)	(281)	(754)
Tax effect of utilisation of tax losses previously not recognised	(209)	(229)	(113)	(321)	(599)
Tax effect of tax losses not recognised	69	149	136	144	34
Effects of different tax rates of subsidiaries	163	149	59	67	7
Income tax expense	1,163	2,385	3,424	2,204	2,180

11. INCOME TAX EXPENSE *(continued)*

Tax losses to be expired in:

	As at 31 December			As at 31 May
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— 2012	4,144	3,004	2,489	—
— 2013	385	385	385	385
— 2014	—	739	739	739
— 2015	—	—	621	621
— 2016	—	—	—	136
	4,529	4,128	4,234	1,881

The Travel Investment Group has unused tax losses of approximately RMB4,529,000, RMB4,128,000, RMB4,234,000 as at 31 December 2008, 2009 and 2010 respectively and RMB1,881,000 as at 31 May 2011 available for offset against future profits. No deferred tax asset has been recognised for the Relevant Periods due to the unpredictability of future profit streams.

12. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Directors' emoluments *(note 9)*	665	270	266	47	96
Staff's retirement benefit scheme contributions	30	249	279	94	158
Other staff costs	5,449	7,980	8,522	3,816	4,379
Total staff costs	6,144	8,499	9,067	3,957	4,633
Depreciation on property, plant and equipment	5,515	4,151	4,896	1,922	2,811
Amortisation of prepaid lease payments	129	129	129	54	54
Loss on disposal of property, plant and equipment	440	85	13	—	227

12. PROFIT FOR THE YEAR/PERIOD *(continued)*

	Year ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating lease rentals in respect of					
— land and buildings	595	569	595	175	193
— marine use rights	159	238	196	82	103
	754	807	791	257	296
and after crediting:					
Bank interest income	59	43	498	179	61
Imputed interest income on amounts due from related companies	3,089	2,463	3,065	1,277	3,138
Total interest income	3,148	2,506	3,563	1,456	3,199
Discount on acquisition of additional interest in a subsidiary	—	300	—	—	—

13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. DIVIDEND

	Year ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Dividend declared and paid during the year/period	—	—	19,277	—	—

Travel Investment declared and paid a final dividend of RMB19,277,000 for 2009 during the year ended 31 December 2010.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings	Furniture, fixtures and equipment	Vehicles and vessels	Water facility equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2008	25,478	10,714	13,788	905	50,885
Additions	80	401	4,640	13	5,134
Disposals	—	(55)	(3,139)	(299)	(3,493)
At 31 December 2008	25,558	11,060	15,289	619	52,526
Additions	270	92	2,941	1,111	4,414
Disposals	—	(738)	(891)	(322)	(1,951)
At 31 December 2009	25,828	10,414	17,339	1,408	54,989
Additions	—	43	2,461	17,630	20,134
Disposals	—	(274)	(678)	—	(952)
At 31 December 2010	25,828	10,183	19,122	19,038	74,171
Additions	—	787	17,061	1,099	18,947
Disposals	—	—	(8,820)	—	(8,820)
At 31 May 2011	25,828	10,970	27,363	20,137	84,298
ACCUMULATED DEPRECIATION					
At 1 January 2008	5,431	4,985	10,661	409	21,486
Provided for the year	1,989	752	2,670	104	5,515
Eliminated on disposals	—	(54)	(2,762)	(114)	(2,930)
At 31 December 2008	7,420	5,683	10,569	399	24,071
Provided for the year	1,995	763	1,267	126	4,151
Eliminated on disposals	—	(310)	(802)	(290)	(1,402)
At 31 December 2009	9,415	6,136	11,034	235	26,820
Provided for the year	1,920	737	1,627	612	4,896
Eliminated on disposals	—	(4)	(292)	—	(296)
At 31 December 2010	11,335	6,869	12,369	847	31,420
Provided for the period	401	375	1,195	840	2,811
Eliminated on disposals	—	—	(7,911)	—	(7,911)
At 31 May 2011	11,736	7,244	5,653	1,687	26,320

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Hotel buildings	Furniture, fixtures and equipment	Vehicles and vessels	Water facility equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CARRYING VALUES					
At 31 December 2008	18,138	5,377	4,720	220	28,455
At 31 December 2009	16,413	4,278	6,305	1,173	28,169
At 31 December 2010	14,493	3,314	6,753	18,191	42,751
At 31 May 2011	14,092	3,726	21,710	18,450	57,978

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Hotel buildings	10%
Furniture, fixtures and equipment	10%–20%
Vehicles and vessels	10%–20%
Water facility equipment	6.67%–20%

16. PREPAID LEASE PAYMENTS

	As at 31 December			As at 31 May
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total prepaid lease payments:				
Medium-term leasehold land in PRC	4,270	4,141	4,012	3,958
Less: Amount to be amortised within one year classified under current assets	(129)	(129)	(129)	(129)
	4,141	4,012	3,883	3,829

Movements of prepaid lease payments are as follows:

	As at 31 December			As at 31 May
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CARRYING VALUE				
At 1 January	4,399	4,270	4,141	4,012
Expense for the year/period	(129)	(129)	(129)	(54)
At 31 December	4,270	4,141	4,012	3,958

The lease term over which the prepaid lease payments are amortised is 45 years.

17. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

During the year ended 31 December 2008, Travel Investment Group's 50% owned jointly controlled entity, 三亞亞龍灣中寰濱海公園管理有限公司 (Sanya Yalong Bay Zhonghuan Coastal Park Management Co. Ltd.), a PRC company with paid-in capital of RMB1,000,000 was de-registered with a distribution of RMB500,000. 三亞亞龍灣中寰濱海公園管理有限公司 (Sanya Yalong Bay Zhonghuan Coastal Park Management Co. Ltd.) was engaged in property development before the de-registration. Investment in 三亞亞龍灣中寰濱海公園管理有限公司 (Sanya Yalong Bay Zhonghuan Coastal Park Management Co. Ltd.) was carried at cost less accumulated impairment losses, before the de-registration, with a carrying amount of RMB500,000. No gain or loss was recognised on de-registration of the jointly controlled entity.

For the year ended 31 December 2008, Travel Investment Group has not accounted for its share of results of operation and net assets of its jointly controlled entity using the equity method up to the date of de-registration in accordance with HKAS 31 because the relevant financial information of the jointly controlled entity is not available to Travel Investment Group.

18. INVESTMENT IN A NON-CONSOLIDATED SUBSIDIARY

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-consolidated Subsidiary — at cost	36,000	—	—	—

Details of Non-consolidated Subsidiary as at 31 December 2008 and 2009 are as follows:

Name of subsidiary	Place of registration	Paid-in capital	Proportion of paid-in capital held by Travel Investment Group		Principal activities
		RMB	2008	2009	
海口翠島溫泉度假酒店有限公司 (Haikou Cuidao Spa Resort Co. Ltd.)	PRC	36,000,000	100%	N/A	Suspended operation in property development

In addition, 海南寰島福瑞達實業有限公司 (Hainan Huandao Furuida Industrial Co. Ltd.) was acquired by Travel Investment Group as a wholly-owned subsidiary in 2008 and was deregistered in 2008. Upon the completion of the de-registration, a gain on de-registration of a Non-consolidated Subsidiary of approximately RMB120,000 was recognised in profit or loss.

The financial information of the Non-consolidated Subsidiary was not consolidated in accordance with HKAS 27 for the year ended 31 December 2008 and 2009 due to non-availability of its relevant financial information.

18. INVESTMENT IN A NON-CONSOLIDATED SUBSIDIARY *(continued)*

During the year ended 31 December 2009, Travel Investment Group disposed of its entire interest in 海口翠島溫泉度假酒店有限公司 (Haikou Cuidao Spa Resort Co. Ltd.) to a fellow subsidiary, Huandao Nanfang at a consideration of RMB36,000,000, which was the carrying amount of investment in 海口翠島溫泉度假酒店有限公司 (Haikou Cuidao Spa Resort Co. Ltd.) at the date of disposal. No gain or loss was recognised to profit or loss upon the disposal.

19. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balances represented the deposits for acquisition of vehicles and vessels and water facility equipment. During the period ended 31 May 2011, approximately RMB14,594,000 has been transferred to property, plant and equipment.

20. INVENTORIES

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	1,242	1,243	1,306	1,327

21. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	128	253	244	289
Less: Allowance for doubtful debts	(39)	(39)	(39)	(39)
	89	214	205	250
Other receivables	262	448	1,011	856
Total trade and other receivables	351	662	1,216	1,106

The Travel Investment Group's provision of hotel rooms, beverages and marine entertainment services are generally on a cash basis. Few customers are also granted with a credit period of 60 days.

21. TRADE AND OTHER RECEIVABLES *(continued)*

The following is an aged analysis of trade receivables based on the invoice date, net of allowance for doubtful debts:

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 60 days	89	214	205	250

Before accepting any new customer, Travel Investment Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

In determining the recoverability of the trade receivables, Travel Investment Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The directors of Travel Investment believe that there is no further provision required in excess of the allowance for doubtful debts.

As at 31 December 2008, 2009 and 2010 and 31 May 2011, trade receivables of approximately RMB89,000, RMB214,000, RMB205,000 and RMB250,000 respectively were neither past due nor impaired.

As at 31 December 2008, 2009 and 2010 and 31 May 2011, no trade receivables was past due but not provided.

Movement in the allowance for doubtful debts

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	39	39	39	39

Other receivables

Other receivables comprise prepayments and deposits paid to suppliers and they are unsecured, interest-free and recoverable within one year. All balances are neither past due nor impaired as at 31 December 2008, 2009 and 2010 and 31 May 2011.

22. AMOUNTS DUE FROM RELATED COMPANIES

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from fellow subsidiaries	5,311	57,731	54,009	70,965
Amount due from immediate holding company	41,070	—	—	—
	46,381	57,731	54,009	70,965
Less: Amounts to be settled within twelve months	—	—	—	(70,965)
	46,381	57,731	54,009	—

Amounts due from fellow subsidiaries and immediate holding company are non-trade nature. The balances are interest-free, repayable on demand and unsecured. The balances as at 31 May 2011 are undertaken by CCHK for full settlement of these receivables in case of that the related companies are not able to repay. In the opinion of directors of Travel Investment, the amounts are repayable within the next twelve months.

23. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at prevailing market rates.

24. TRADE AND OTHER PAYABLES

As at 31 December 2008, 2009 and 2010 and 31 May 2011, included in trade and other payables are trade payables of approximately RMB5,578,000, RMB6,058,000 and RMB7,141,000 and RMB7,627,000 respectively. The following is an aged analysis of trade payables based on the invoice date:

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	815	914	824	1,671
61–180 days	27	75	2,702	307
181–365 days	39	547	1,770	2,872
Over 365 days	4,697	4,522	1,845	2,777
	5,578	6,058	7,141	7,627

The credit period on purchases of goods is 60 days. Travel Investment Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

25. AMOUNTS DUE TO RELATED COMPANIES

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to fellow subsidiaries	58,495	15,449	11,884	5,884
Amount due to immediate holding company	772	—	—	—
	59,267	15,449	11,884	5,884

Amounts due to fellow subsidiaries and immediate holding company are non-trade nature and are interest-free, repayable on demand and unsecured.

26. PAID-IN CAPITAL

Travel Investment was established on 28 June 2007 with a registered capital of RMB50,000,000. On 9 December 2009, additional capital injection of RMB86,000,000 were made by CCHG. There was no movement in paid-in capital during the year ended 31 December 2010 and the five months ended 31 May 2011.

27. OPERATING LEASE COMMITMENTS

At the end of each reporting period, Travel Investment Group had commitments for future minimum lease payments under non-cancellable operating leases for rented premises which fall due as follows:

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Travel Investment Group as lessee				
Within one year	565	560	393	399
In the second to fifth years inclusive	1,700	1,503	1,472	1,460
Over five years	1,530	1,170	810	660
	3,795	3,233	2,675	2,519

Leases are mainly negotiated and fixed for a lease term of two to six years during the Relevant Periods.

28. CAPITAL COMMITMENTS

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Travel Investment Group Financial Information	—	—	3,165	1,583

29. RETIREMENT BENEFITS SCHEMES

The PRC employees of Travel Investment Group are members of a state-managed retirement benefit scheme operated by the local government. Travel Investment Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of Travel Investment Group with respect to the retirement benefit scheme is to make the specified contributions.

During each of the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2010 and 2011, Travel Investment Group made total contributions to the retirement benefit schemes approximately of RMB30,000, RMB249,000, RMB279,000, RMB94,000 (unaudited) and RMB158,000 respectively.

30. MAJOR NON-CASH TRANSACTIONS

(1) During the year ended 31 December 2008, 海南寰島福瑞達實業有限公司 (Hainan Huandao Furuida Industrial Co. Ltd.) was acquired at RMB10,762,000 from fellow subsidiaries and deregistered. Upon the completion of de-registration, a gain on de-registration of a Non-consolidated Subsidiary of approximately RMB120,000 was recognised in profit or loss for the year ended 31 December 2008. Distributions from the de-registration of RMB10,882,000 were settled through current accounts with the fellow subsidiaries.

(2) During the year ended 31 December 2009, Travel Investment disposed of its entire interest in 海口翠島溫泉度假酒店有限公司 (Haikou Cuidao Spa Resort Co. Ltd.) to a fellow subsidiary at a consideration of RMB36,000,000, which was settled through the current account with a fellow subsidiary.

(3) Dividend paid to the equity owners of Travel Investment was settled through the current account with a fellow subsidiary during the year ended 31 December 2010.

31. RELATED PARTY TRANSACTIONS

In addition to the amounts due from (to) related companies disclosed in notes 22 and 25, Travel Investment Group had entered into related party transactions disclosed in note 30.

Transactions and balances with other government-related entities

Travel Investment Group itself is part of a larger group of companies controlled by CCHG (CCHG and its subsidiaries are referred to as the "CCHG Group") which is a stated-owned enterprise under the direct supervision of the State Council of the PRC. The directors of Travel Investment consider that Travel Investment is ultimately controlled by the government of PRC and the Travel Investment Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

31. RELATED PARTY TRANSACTIONS *(continued)*

Transactions and balances with other government-related entities (continued)

Apart from transactions with CCHG Group, the Travel Investment Group has deposits placements with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of Travel Investment are of the opinion that separate disclosure would not be meaningful.

Compensation of key management personnel

Remuneration paid for key management personnel represent those for the directors of Travel Investment as disclosed in note 9.

(B) SUBSEQUENT EVENTS

The Company entered into an agreement dated 27 July 2011 and a supplemental agreement dated 29 August 2011 with CCHK and CCHG. CCHK and CCHG will undertake a series of reorganisations. Pursuant to the reorganisation, Huandao Nanfang transferred its entire interest in 海南寰島金行 (Hainan Huandao Gold Co.) ("Huandao Gold") to Travel Investment. Upon completion of the transfer, Huandao Gold became a wholly-owned subsidiary of Travel Investment.

Pursuant to these agreements, the Company has conditionally agreed to acquire the entire issued capital of Travel Investment and Huandao Gold. The major terms of acquisition agreement are set out in the Company's announcements dated 27 July 2011 and 29 August 2011. Upon completion of the acquisition, Travel Investment Group will become subsidiaries of the Company.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Travel Investment Group, in respect of any period subsequent to 31 May 2011.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report on Huandao Gold, prepared for each of the three years ended 31 December 2010 and the five months ended 31 May 2011 for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu. A copy of the following accountants' report is available for inspection.

Deloitte.
德勤

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35/F One Pacific Place
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30 September 2011

The Directors
China Chengtong Development Group Limited

Dear Sirs,

We set out below our report on the financial information relating to 海南寰島金行 (Hainan Huandao Gold Co.) ("Huandao Gold") for each of the three years ended 31 December 2010 and the five months ended 31 May 2011 (the "Relevant Periods") (the "Huandao Gold Financial Information") for inclusion in the circular issued by China Chengtong Development Group Limited (the "Company") dated 30 September 2011 (the "Circular") in connection with the proposed acquisition of the entire issued capital of 海南寰島酒店旅遊投資有限公司 (Hainan Huandao Hotel Travel Investment Co., Ltd.) ("Travel Investment") by the Company. Upon completion of a series of reorganisations, Huandao Gold will become a wholly-owned subsidiary of Travel Investment.

Huandao Gold was established in the People's Republic of China (the "PRC") on 13 March 1989 as a state-owned enterprise. It is principally engaged in sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts.

Huandao Gold adopts 31 December as the financial year end date. The PRC statutory financial statements of Huandao Gold for each of the three years ended 31 December 2010 were audited by 利安達會計師事務所有限責任公司 (Reanda Certified Public Accountants), certified public accountants registered in the PRC. The PRC statutory financial statements for the each of the three years ended 31 December 2010 were prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises.

For the purpose of the preparation of this report, the management of Huandao Gold has prepared the management accounts for the Relevant Periods in accordance with accounting policies set out in note 3 to this report which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Management Accounts"). We have carried out independent audit procedures we consider necessary in respect of the Underlying Management Accounts of Huandao Gold for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Management Accounts for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Huandao Gold Financial Information for the Relevant Periods set out in this report has been prepared based on the Underlying Management Accounts without making any adjustments for the purpose of inclusion in the Circular.

The management of Huandao Gold is responsible for preparing the Underlying Management Accounts. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Huandao Gold Financial Information set out in this report from the Underlying Management Accounts, to form an independent opinion on the Huandao Gold Financial Information and to report our opinion to you.

In our opinion, the Huandao Gold Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Huandao Gold as at 31 December 2008, 2009 and 2010 and 31 May 2011, and of its losses and cash flows for the Relevant Periods.

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flows of Huandao Gold for the five months ended 31 May 2010 together with the notes thereon (the "May 2010 Financial Information") have been extracted from Huandao Gold's unaudited financial information for the same period which was prepared by the management of Huandao Gold solely for the purpose of this report. We have reviewed the May 2010 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the May 2010 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the May 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the May 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Huandao Gold Financial Information which confirm with HKFRSs.

(A) FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2008	**2009**	**2010**	**2010**	**2011**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Turnover	7	42	44	51	23	19
Cost of sales		(5)	(3)	(1)	(1)	(1)
Gross profit		37	41	50	22	18
Other income		1	1	1	—	—
Selling expenses		(67)	(72)	(66)	—	(15)
Administrative expenses		(97)	(94)	(112)	(77)	(79)
Loss and total comprehensive expenses for the year/period	9	(126)	(124)	(127)	(55)	(76)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
		2008	**2009**	**2010**	**2011**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	10	1	1	1	3
Interest in an associate	11	—	—	—	—
		1	1	1	3
Current assets					
Inventories	12	1,002	1,000	999	998
Other receivables	13	1	1	—	—
Bank balances and cash	14	53	25	20	41
		1,056	1,026	1,019	1,039
Current liabilities					
Trade and other payables	15	6	8	7	12
Amounts due to related companies	16	170	262	383	476
		176	270	390	488
Net current assets		880	756	629	551
		881	757	630	554
Capital and reserves					
Paid-in capital	17	5,000	5,000	5,000	5,000
Accumulated losses		(4,119)	(4,243)	(4,370)	(4,446)
Total equity		881	757	630	554

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008	5,000	(3,993)	1,007
Loss and total comprehensive expense for the year	—	(126)	(126)
At 31 December 2008	5,000	(4,119)	881
Loss and total comprehensive expense for the year	—	(124)	(124)
At 31 December 2009	5,000	(4,243)	757
Loss and total comprehensive expense for the year	—	(127)	(127)
At 31 December 2010	5,000	(4,370)	630
Loss and total comprehensive expense for the period	—	(76)	(76)
At 31 May 2011	5,000	(4,446)	554
At 1 January 2010	5,000	(4,243)	757
Loss and total comprehensive expense for the period	—	(55)	(55)
At 31 May 2010 (Unaudited)	5,000	(4,298)	702

STATEMENT OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities					
Loss for the year/period	(126)	(124)	(127)	(55)	(76)
Adjustments for:					
Depreciation of property, plant and equipment	—	—	—	—	1
Interest income	(1)	(1)	(1)	—	—
Operating cash flow before movements in working capital	(127)	(125)	(128)	(55)	(75)
Decrease in inventories	6	2	1	1	1
Decrease in other receivables	2	—	1	—	—
Increase (decrease) in trade and other payables	2	2	(1)	31	5
Increase (decrease) in amount due to a related company	60	25	(79)	(18)	2
Net cash used in operating activities	(57)	(96)	(206)	(41)	(67)
Investing activities					
Purchase of property, plant and equipment	—	—	—	—	(3)
Interest received	1	1	1	—	—
Net cash from (used in) investing activities	1	1	1	—	(3)
Cash from a financing activity					
Advances from related companies	100	67	200	32	91
Net increase (decrease) in cash and cash equivalents	44	(28)	(5)	(9)	21
Cash and cash equivalents at the beginning of the year/period	9	53	25	25	20
Cash and cash equivalents at the end of the year/period, representing bank balances and cash	53	25	20	16	41

NOTES TO FINANCIAL INFORMATION

1. GENERAL

Huandao Gold was established in the PRC on 13 March 1989 as a state-owned enterprise. It is principally engaged in sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts. Its immediate holding company, 寰島南方實業發展有限公司 (Huandao Nanfang Industrial Development Co., Ltd.) ("Huandao Nanfang"), is a company established in the PRC and is wholly-owned by 中國寰島(集團)公司 (China Huandao (Group) Co.). The ultimate holding company of Huandao Gold is China Chengtong Holdings Group Limited ("CCHG").

The Huandao Gold Financial Information is presented in Renminbi ("RMB"), which is also functional currency of Huandao Gold.

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

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards ("HKAS"s) and HKFRSs, Amendments and Interpretations ("INT") (hereinafter collectively referred to as the "new HKFRSs") which are effective for Huandao Gold's financial period beginning on 1 January 2011. For the purposes of preparing and presenting the Huandao Gold Financial Information for the Relevant Periods, Huandao Gold has adopted all HKFRSs applicable to financial year beginning on 1 January 2011 during the Relevant Periods.

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

Huandao Gold has not early applied the following revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]

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

The management of Huandao Gold anticipates that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and financial position of Huandao Gold.

3. SIGNIFICANT ACCOUNTING POLICIES

The Huandao Gold Financial Information has been prepared under the historical cost basis in accordance with HKFRSs issued by HKICPA and includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for service provided/goods sold in the normal course of business, net of discounts and returns.

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

Service income is recognised when services are provided, which generally coincides with the time when consigned goods are delivered and title has passed.

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation (continued)

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

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

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

Interest in an associate

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

The results and assets and liabilities of an associate are incorporated in the Huandao Gold Financial Information using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise Huandao Gold's share of the profit or loss and other comprehensive income of the associates. When Huandao Gold's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Huandao Gold's net investment in the associate), Huandao Gold discontinues recognising its share of further losses. Additional losses are recognised only to the extent that Huandao Gold has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over Huandao Gold's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of Huandao Gold's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest in an associate (continued)

The requirements of HKAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether it is necessary to recognise any impairment loss with respect to Huandao Gold's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When Huandao Gold transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Huandao Gold Financial Information only to the extent of interests in the associate that are not related to Huandao Gold.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

Impairment losses on assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on assets (continued)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when Huandao Gold becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities are fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Huandao Gold's financial assets are loans and receivables.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables including other receivables, bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets ***(continued)***

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by Huandao Gold are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets after deducting all of its liabilities.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities

Financial liabilities including trade and other payables and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Huandao Gold has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Leasing

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

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

Retirement benefit schemes

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. CAPITAL RISK MANAGEMENT

Huandao Gold manages its capital to ensure that Huandao Gold will be able to continue as a going concern while maximising the return to equity owners through the optimisation of the debt and equity balance.

The capital structure of Huandao Gold consists of net debts, which represent amounts due to related companies net of the cash and cash equivalents, and equity attributable to owners of Huandao Gold.

The management of Huandao Gold reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through the payment of dividends and new capital raising.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	54	26	20	41
Financial liabilities				
Amortised cost	176	270	390	488

(b) Financial risk management objectives and policies

Huandao Gold's major financial assets and liabilities include other receivables, bank balances and cash, trade and other payables and amounts due to related companies. The risks associated with these financial instruments and the policies on how to mitigate credit risk, foreign currency risk and liquidity risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Foreign currency risk

Huandao Gold collects all of its revenue in RMB and incurs all of the expenditures as well as capital expenditures in RMB. The management considered that Huandao Gold has no exposures to any foreign currency exchange risk.

Liquidity risk management

The management of Huandao Gold has built an appropriate liquidity risk management framework for the management of Huandao Gold's short, medium and long-term funding and liquidity management requirements. Huandao Gold manages liquidity risk by maintaining sufficient bank balances and by continuously monitoring forecast and actual cash flows, and the maturity profile of financial liabilities.

At 31 December 2008, 2009 and 2010 and 31 May 2011, all Huandao Gold's non-derivative financial liabilities are interest-free and their remaining contractual maturities are on demand. The undiscounted cash flows of financial liabilities are the same as their carrying amounts.

(c) Fair value

The management of Huandao Gold considers that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the end of the reporting period approximate their corresponding fair values.

6. SEGMENT INFORMATION

Huandao Gold is engaged in single reportable segment being sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts in the PRC and the sales are made to retail customers. The management of Huandao Gold being the chief operating decision maker reviewed the overall results of Huandao Gold for the purpose of result allocation and performance assessment. Huandao Gold principally operates in the PRC (country of domicile) with all of its results derived from its operation in the PRC. Analysis of Huandao Gold's non-current assets is not presented as they are all located in the PRC.

7. TURNOVER

An analysis of the Huandao Gold's revenue for the Relevant Periods is as follows:

	Year ended 31 December			Five months ended 31 May	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of owned goods	17	8	3	2	2
Commission income on consignment sale	25	36	48	21	17
	42	44	51	23	19

8. TAXATION

No provision for taxation is made as Huandao Gold had no assessable profit during the Relevant Periods. The tax rate of Huandao Gold is 25% under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation of regulation of the EIT Law.

Statement of reconciliation of taxation is as follows:

	Year ended 31 December			Five months ended 31 May	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss for the year/period	(126)	(124)	(127)	(55)	(76)
Tax at Enterprise Income Tax rate of 25%	(32)	(31)	(32)	(14)	(19)
Tax effect of tax loss not recognised	32	31	32	14	19
Taxation for the year/period	—	—	—	—	—

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses to be expired in				
— 2012	74	74	74	74
— 2013	126	126	126	126
— 2014	—	124	124	124
— 2015	—	—	127	127
— 2016	—	—	—	76
	200	324	451	527

Huandao Gold has unused tax losses of approximately RMB200,000, RMB324,000, RMB451,000 and RMB527,000 as at 31 December 2008, 2009 and 2010 and 31 May 2011 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams.

9. LOSS FOR THE YEAR/PERIOD

	Year ended 31 December			Five months ended 31 May	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Loss for the year/period has been arrived at after charging:					
Staff costs *(Note)*	72	71	85	39	50
Operating lease rentals in respect of land and buildings	60	60	60	25	25
Cost of inventories recognised as expenses	5	3	1	1	1
Depreciation of property, plant and equipment	—	—	—	—	1
and after crediting:					
Interest income	1	1	1	—	—

Note: Huandao Gold has not set up the board of directors. The staff costs represent the emoluments paid to all four staff of Huandao Gold and also the four highest paid individuals during the Relevant Periods.

10. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment
	RMB'000
COST	
At 1 January 2008, 31 December 2008, 2009 and 2010	2
Additions	3
At 31 May 2011	5
ACCUMULATED DEPRECIATION	
At 1 January 2008, 31 December 2008, 2009 and 2010	1
Provided for the period	1
At 31 May 2011	2
CARRYING VALUES	
At 31 December 2008	1
At 31 December 2009	1
At 31 December 2010	1
At 31 May 2011	3

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the 10% per annum.

11. INTEREST IN AN ASSOCIATE

	As at 31 December			As at 31 May
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	2,000	2,000	2,000	2,000
Share of post-acquisition and other comprehensive income	(2,000)	(2,000)	(2,000)	(2,000)
	—	—	—	—

Details of the associate at 31 December 2008, 2009 and 2010 and 31 May 2011 are as follows:

Name of associate	Place of registration	Paid-in capital *RMB*	Proportion of paid-in capital held by Huandao Gold	Principal activity
北京寰島信通科技有限公司 (Beijing Huandao Xintong Technology Co., Ltd.)	PRC	10,000,000	20%	Inactive

Huandao Gold had discontinued recognition of its share of losses of the associate since 2007. The amounts of unrecognised share of losses of the associate based on the unaudited management accounts of the associate for the year ended 31 December 2008 and cumulatively at that date were considered insignificant. The total assets and total liabilities at 31 December 2008 were approximately RMB23,356,000 respectively. The associate had started de-registration process in 2009 and the relevant financial information was not available for the year ended 31 December 2010 and the five months ended 31 May 2011.

12. INVENTORIES

	As at 31 December			As at 31 May
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	1,002	1,000	999	998

13. OTHER RECEIVABLES

	As at 31 December			As at 31 May
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	1	1	—	—

Other receivables comprise advance to staff and are unsecured, interest free and recoverable within one year. All balances are neither past due nor impaired as at 31 December 2008, 2009 and 2010 and 31 May 2011.

14. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at prevailing market rates.

15. TRADE AND OTHER PAYABLES

The credit period on purchases of goods is 30 days. As at 31 December 2008, 2009 and 2010 and 31 May 2011, all trade and other payables were within an age of 30 days based on the invoice dates.

16. AMOUNTS DUE TO RELATED COMPANIES

	As at 31 December			As at 31 May
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to intermediate holding companies	110	177	377	468
Amount due to a fellow subsidiary	60	85	6	8
	170	262	383	476

Amounts due to intermediate holding companies represent the payments made by them on behalf of Huandao Gold. The balances are interest-free, unsecured and repayable on demand.

Amount due to a fellow subsidiary is rental payable, which is interest-free, unsecured and repayable on demand.

17. PAID-IN CAPITAL

Huandao Gold was established on 13 March 1989 with a registered and paid-in capital of RMB5,000,000.

18. RETIREMENT BENEFITS SCHEMES

The employees of Huandao Gold are members of a state-managed retirement benefit schemes operated by the local government. Huandao Gold is required to contribute a certain percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of Huandao Gold with respect to the retirement benefit schemes is to make the specified contributions.

During each of the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2010 and 2011, Huandao Gold made total contributions to the retirement benefit schemes of approximately RMB10,000, RMB10,000, RMB10,000, RMB4,000 (unaudited) and RMB4,000 respectively.

19. OPERATING LEASE COMMITMENTS

As at 31 December 2008, 2009 and 2010 and 31 May 2011, Huandao Gold had no commitments for future minimum lease payments under non-cancellable operating leases for rental premises.

20. RELATED PARTY TRANSACTIONS

In addition to the amounts due to related companies disclosed in note 16, Huandao Gold had entered into the following related party transactions:

	Year ended 31 December			**Five months ended 31 May**	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Rental expenses paid/payable to a fellow subsidiary	60	60	60	25	25

Transactions and balances with other government-related entities

Huandao Gold itself is part of a larger group of companies controlled by CCHG (CCHG and its subsidiaries are referred to as the "CCHG Group") which is a stated-owned enterprise under the direct supervision of the State Council of the PRC. The management of Huandao Gold considers that Huandao Gold is ultimately controlled by the government of PRC and the Huandao Gold operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Apart from transactions with CCHG Group, the Huandao Gold has deposits placements with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the management of Huandao Gold is of the opinion that separate disclosure would not be meaningful.

20. RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

The remuneration of key management of Huandao Gold during the year ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 were borne by the intermediate holding companies.

(B) SUBSEQUENT EVENTS

The Company entered into an agreement dated 27 July 2011 and a supplemental agreement dated 29 August 2011 with CCHG and the intermediate holding company of the Company, China Chengtong Hong Kong Company Limited ("CCHK"). CCHK and CCHG will undertake a series of reorganisations. Pursuant to the reorganisation, Huandao Nanfang transferred its entire interest in Huandao Gold to a fellow subsidiary, Travel Investment. Upon completion of the transfer, Huandao Gold became a wholly-owned subsidiary of Travel Investment.

Pursuant to these agreements, the Company has conditionally agreed to acquire the entire issued capital of Huandao Gold and Travel Investment. The major terms of acquisition agreement are set out in the Company's announcements dated 27 July 2011 and 29 August 2011. Upon completion of the acquisition, Huandao Gold will become a subsidiary of the Company.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Huandao Gold, in respect of any period subsequent to 31 May 2011.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. A copy of the following accountants' report is available for inspection.

Deloitte.
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30 September 2011

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP TO THE BOARD OF DIRECTORS OF CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of China Chengtong Development Group Limited (the "Company") and its subsidiaries(hereinafter collectively referred to as the "Group"), and 海南寰島酒店旅遊投資有限公司 (Hainan Huandao Hotel Travel Investment Co., Ltd.) ("Travel Investment") and its subsidiaries (hereinafter collectively referred to as the "Travel Investment Group") and 海南寰島金行 (Hainan Huandao Gold Co.) ("Huandao Gold") (the "Target Companies") (together with the Group hereinafter collectively referred to as the "Enlarged Group") set out in Appendix IV to the circular dated 30 September 2011 (the "Circular"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued capital of Travel Investment and Huandao Gold (the "Acquisition") might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 132 to 133 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Enlarged Group as at 30 June 2011 or any future date.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(i) Defined Terms

Unless otherwise defined, capitalised terms and technical terms used herein shall have the same meaning when used in this Circular.

(ii) Basis of preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged Group

The unaudited pro forma statement of assets and liabilities(the "Unaudited Pro Forma Financial Information") of the Enlarged Group is prepared to illustrate the effect of the Acquisition on the assets and liabilities of the Enlarged Group as at 30 June 2011.

For the purpose of the Unaudited Pro Forma Financial Information, RMB amounts have been translated into HK$ amounts at an exchange rate of RMB1.00 = HK$1.20 on 31 May 2011 for the unaudited pro forma statement of assets and liabilities.

The Unaudited Pro Forma Financial Information is prepared based on:

(a) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 as extracted from the interim report of the Company issued on 29 August 2011;

(b) the audited statement of financial position of Travel Investment Group and Huandao Gold as at 31 May 2011 as extracted from the accountants' reports as set out in Appendices II and III to this Circular respectively; and

(c) after taking into account the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the proposed acquisition had been completed on 30 June 2011.

(ii) Basis of preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged Group ***(continued)***

In preparing the Unaudited Pro Forma Financial Information, the financial position of Huandao International Limited and China Huandao Group Hong Kong Limited, the intermediate and immediate holding companies of the Target Companies respectively are not included, as Huandao International Limited and China Huandao Group Hong Kong Limited that were incorporated on 12 August 2011 and 23 August 2011 respectively, in the opinion of the directors of the Company, have no significant impact on the financial position of the Enlarged Group. Huandao International Limited and China Huandao Group Hong Kong Limited are investment holding companies and have no other material operations.

The unaudited pro forma statements of assets and liabilities of the Enlarged Group should be read in conjunction with the financial information contained in this Circular and the accountants' reports on financial information of Travel Investment Group and Huandao Gold as set out in Appendices II and III to this Circular respectively.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not be indicative of the financial position of the Enlarged Group as at 30 June 2011 or at any future date.

(iii) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group

	The Group	Travel Investment Group	Travel Investment Group	Huandao Gold	Huandao Gold	Pro forma adjustments				Pro forma Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note(1)	*Note(2)*	*Note(3)*	*Note(2)*	*Note(3)*	*Note(4)(8)*	*Note(5)(8)*	*Note(6)*	*Note(7)*	
Non-current assets										
Property, plant and equipment	8,560	57,978	69,574	3	4	—	8,290	—	—	86,428
Prepaid lease payments	—	3,829	4,595	—	—	—	98,724	—	—	103,319
Investment properties	228,000	—	—	—	—	—	—	—	—	228,000
Deposits for acquisition of property, plant and equipment	—	10,146	12,175	—	—	—	—	—	—	12,175
Goodwill	—	—	—	—	—	—	—	—	36,286	36,286
Restricted bank balance	4,200	—	—	—	—	—	—	—	—	4,200
Receivable under finance lease arrangement	17,569	—	—	—	—	—	—	—	—	17,569
	258,329	71,953	86,344	3	4	—	107,014	—	36,286	487,977

(iii) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group *(continued)*

	The Group	Travel Investment Group	Travel Investment Group	Huandao Gold	Huandao Gold	Pro forma adjustments				Pro forma Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note(1)	*Note(2)*	*Note(3)*	*Note(2)*	*Note(3)*	*Note(4)(8)*	*Note(5)(8)*	*Note(6)*	*Note(7)*	
Current assets										
Inventories	—	1,327	1,592	998	1,198	3,730	—	—	—	6,520
Properties held for sale	42,557	—	—	—	—	—	—	—	—	42,557
Properties held for development	296,196	—	—	—	—	—	—	—	—	296,196
Properties under development	337,033	—	—	—	—	—	—	—	—	337,033
Amount due from a non-controlling shareholder of a subsidiary	18,262	—	—	—	—	—	—	—	—	18,262
Amounts due from related companies	—	70,965	85,158	—	—	—	—	—	—	85,158
Trade and other receivables	33,560	1,106	1,327	—	—	—	—	—	—	34,887
Receivable under finance lease arrangement	16,186	—	—	—	—	—	—	—	—	16,186
Prepaid lease payments	—	129	155	—	—	—	3,326	—	—	3,481
Tax recoverable	1,223	—	—	—	—	—	—	—	—	1,223
Held-for-trading securities	2,738	—	—	—	—	—	—	—	—	2,738
Short-term investments	172,800	—	—	—	—	—	—	—	—	172,800
Bank balances and cash	1,301,129	22,458	26,950	41	48	—	—	(3,200)	—	1,324,927
	2,221,684	95,985	115,182	1,039	1,246	3,730	3,326	(3,200)	—	2,341,968
Current liabilities										
Trade and other payables	56,234	7,627	9,152	12	14	—	—	—	—	65,400
Deposits received on sale of properties	78,004	—	—	—	—	—	—	—	—	78,004
Amounts due to related companies	403	5,884	7,061	476	571	—	—	—	—	8,035
Taxation payable	—	689	827	—	—	—	—	—	—	827
Secured bank loans	60,000	—	—	—	—	—	—	—	—	60,000
Unsecured other loans	600	—	—	—	—	—	—	—	—	600
	195,241	14,200	17,040	488	585	—	—	—	—	212,866
Net current assets	2,026,443	81,785	98,142	551	661	3,730	3,326	(3,200)	—	2,129,102
Total assets less current liabilities	2,284,772	153,738	184,486	554	665	3,730	110,340	(3,200)	36,286	2,617,079
Non-current liabilities										
Deferred tax liabilities	2,445	—	—	—	—	933	27,585	—	—	30,963
Corporate bonds	707,990	—	—	—	—	—	—	—	—	707,990
	710,435	—	—	—	—	933	27,585	—	—	738,953
Net assets	1,574,337	153,738	184,486	554	665	2,797	82,755	(3,200)	36,286	1,878,126

(iii) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group *(continued)*

Notes:

1. Figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 as extracted from the interim report of the Company issued on 29 August 2011.

2. Figures are extracted from the accountants' reports of financial information of Travel Investment Group and Huandao Gold as set out in Appendices II and III to this Circular respectively.

3. Figures are extracted from the accountants' reports of financial information of Travel Investment Group and Huandao Gold as set out in Appendices II and III to the Circular respectively and translated into HK$ at the exchange rate stated in (A)(ii) above.

4. The adjustment includes the excess (approximately HK$3,730,000) of fair value of the inventories held by Huandao Gold over their carrying amount as at 31 May 2011. The valuation of inventories was calculated with reference to the weighted average price of gold announced by the Shanghai Gold Exchange as at 31 May 2011. Deferred tax on the fair value adjustment, calculated at the income tax rate of 25%, amounts to approximately HK$933,000.

5. The adjustments represent the excess (approximately HK$8,290,000 and HK$102,050,000) of fair values of the hotel buildings and prepaid lease payments over their carrying amounts as at 31 May 2011 respectively. The fair values of hotel buildings and prepaid lease payments are with reference to the valuation as at 31 July 2011, of which there is no material difference in valuation between 31 May 2011 and 31 July 2011. The valuation of these assets as at 31 July 2011, which is based on direct comparison method, is carried out by B.I. Appraisal Limited, an independent qualified professional valuer not connected to the Enlarged Group as set out in Appendix V of this circular. Deferred tax on the fair value adjustment, calculated at the income tax rate of 25%, amounts to approximately HK$27,585,000.

6. The adjustment reflects the estimated legal and professional fees of HK$3,200,000 directly attributable to the Acquisition.

7. Ordinary shares of the Company will be issued as the consideration for the Acquisition. In accordance with the agreement and supplemental agreement entered into by the Company for the Acquisition dated 27 July 2011 and 29 August 2011 respectively, the consideration for the Acquisition was determined to be RMB254,000,000 (equivalent to approximately HK$306,989,000 based on the exchange rate of RMB1.00 = HK$1.21 on 26 July 2011), which is determined with reference to the carrying amounts of the net assets of the Target Companies as at 31 May 2011 and the fair value of the hotel buildings and prepaid lease payments held by the Target Companies as at 31 May 2011 and the future prospects of the businesses operated by the Target Companies. The consideration for the Acquisition will be adjusted in accordance with the filed and confirmed price of net assets of the Target Companies approved by the State-owned Assets Supervision and Administration Commission of the State Council ("Filed and Confirmed Amount") and the mechanism of the adjustment to the consideration of the Acquisition as disclosed in announcements of the Company published on 27 July 2011 and 29 August 2011 ("Mechanism of the Adjustment"). The Filed and Confirmed Amount is based on valuation of net assets of the Target Companies which will be prepared in accordance with the requirements of Stateowned Assets Supervision and Administration Commission of the State Council and will be carried out by an independent qualified professional valuer not connected to the Enlarged Group.

(iii) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group *(continued)*

7. *(continued)*

For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the market price of ordinary shares of the Company to be issued is HK$0.47 per share (which is at a discount of approximately 2.08% to the closing price of the shares of the Company as quoted on The Stock Exchange of Hong Kong Limited on 26 July 2011). Accordingly, 653,169,039 ordinary shares of the Company will be issued.

Goodwill of HK$36,286,000 recognised represents the excess of the consideration amounting to HK$306,989,000 over (i) the carrying amounts of the identifiable assets and liabilities of Target Companies amounting to HK$185,151,000 as at 31 May 2011 and (ii) fair value adjustments as stated in notes 4 and 5 totalling HK$85,552,000.

Based on the Mechanism of the Adjustment, the consideration of the Acquisition may be adjusted to an amount higher or lower than RMB254,000,000 but not more than 10% without the requirement of approval of another Independent Shareholders' meeting. Assuming that the consideration of Acquisition is an amount higher than RMB254,000,000 by 10%, i.e. RMB279,400,000 (equivalent to approximately HK$337,688,000 based on the exchange rate of RMB1.00 = HK$1.21 on 26 July 2011) and the number of shares to be issued will be 718,485,943 shares. The resulting amount of goodwill for the acquisition of the Target Companies is HK$66,985,000.

For the purpose of this Unaudited Pro Forma Financial Information, apart from the assets subject to the fair value adjustments stated in the notes 4 and 5 above, the fair values of the remaining identifiable assets and liabilities of Target Companies are assumed to be equal to their respective carrying amounts as at 31 May 2011. Specifically, in the absence of a formal valuation, the directors of the Company have not made any fair value adjustment to the property, plant and equipment other than the hotel buildings stated in note 5 above, of which the fair value may be significantly different from their carrying amounts as at 31 May 2011. The Company is in the process of identifying and determining the fair values of the identifiable assets and liabilities of Target Companies. Besides, the number of the ordinary shares of the Company to be issued as the consideration for the Acquisition may vary dependent on the Filed and Confirmed Amount. In addition, the fair value of the ordinary shares of the Company at the date of completion may be substantially different from market price of ordinary shares of the Company on the current pro forma basis (i.e. HK$0.47). In view of the above, the actual fair value of the consideration and the fair values of identifiable assets and liabilities of Target Companies and in turn, the resulting amount of goodwill may be different from those presented in this Unaudited Pro Forma Financial Information.

The directors of the Company have assessed whether the goodwill calculated on the current pro forma basis may be impaired as at 30 June 2011, in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". According to the result of the assessment, there is no indication of impairment as the recoverable amount of the cash generating units which contain the goodwill, estimated based on value in use, using discounted cash flow method is higher than the estimated fair value of net assets acquired. As a result, there is no impairment in respect of the goodwill.

8. The deferred taxation adjustments in the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group are based on temporary differences between estimated fair values and estimated tax bases of assets and liabilities acquired.

The following is the text of the letter 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 to be acquired by the Group.

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.bigroupchina.com

30 September 2011

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

Dear Sirs,

Re: 寰島海底世界酒店 (unofficial translation as Huandao Underwater World Hotel), Yalong Bay Tourism Development Zone (now known as Yalong Bay National Tourism & Resort Zone), Tiandu Town, Sanya City, Hainan 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 property (hereinafter referred to as the "Property"), we confirm that we have conducted site visit, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 31 July 2011 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for disclosure purpose in relation to the proposed acquisition involving the Property.

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

INSTRUCTIONS

Pursuant to the specific instructions from the Company, we are required to provide, apart from our opinion of value of the Property as of the Date of Valuation, an apportionment of the reported value between the land element and the improvements separately. In addition, we are required also to provide an opinion of value of the Property as of 31 May 2011 for reference purpose.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the 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."

Our valuation has 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 on The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation is made on the assumption that the Property would be sold in the open market in existing state and without the benefit of deferred term contracts, lease backs, joint ventures, management agreements, or any similar arrangements, which could serve to affect its value. In addition, no account has been taken of any option or right of pre-emption concerning or effecting a sale of the Property and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

Apart from the above, we have also made the following assumptions:

a) The Property is finished and maintained in reasonable condition commensurate with its age and use and is in its original layout without any unauthorized alteration.

b) The Property has been constructed, occupied and used in full compliance with, and without contravention of all ordinances and regulations, except only where otherwise stated.

c) All consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Property upon which our valuation is based.

VALUATION METHODOLOGY

We have focused our valuation of the Property by using the Direct Comparison Method, assuming that the Property is capable of being sold with the benefit of immediate vacant possession, and by making reference to comparable sales evidence or offerings as available in the relevant market.

In arriving at the apportionment of the reported value between the land element and the improvements as of the Date of Valuation for the Property, we have assessed the value of the land of the Property for existing use as of the Date of Valuation and deducted this from the valuation of the whole property to arrive at the figure for the improvements.

TITLE INVESTIGATION

We have been provided by the Company with copies of documents relating to the title to the Property. We have not examined the original documents to verify ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents and leases have been used for reference only.

In the course of our valuation, we have relied on the advice given by the Company and the legal opinion dated 20 September 2011 prepared by Jia Yuan Law Firm, the Company's legal advisor on PRC law (hereinafter referred to as the "PRC Legal Advisor"), regarding the title to and the interest in the Property. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Property that is assumed to be good and marketable.

LIMITING CONDITIONS

We have inspected the exterior, and where possible, the interior of the Property. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Property. We are, therefore, not able to report that the Property is free from rot, infestation or any other structural defects. Yet, in the course of our inspection, 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 Property but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificate 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 valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any 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, site and floor areas and all other relevant matters in the identification of the Property. We have not seen original planning consents and have assumed that the Property has been 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 this report are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Company, the Property and its owner or the value reported herein.

Our Valuation Certificate is hereby enclosed for your attention.

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

William C. K. Sham *MRICS, MHKIS, MCIREA*
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
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 30 years' experience in the valuation of properties in Hong Kong and has over 15 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2011
Huandao Underwater World Hotel, Yalong Bay Tourism Development Zone (now known as Yalong Bay National Tourism & Resort Zone), Tiandu Town, Sanya City, Hainan Province, the PRC	The Property is a 3-star resort hotel built over a site with an area of approximately 9,982.90 sq.m. (107,456 sq.ft.). The subject development, completed in about 1997, comprises 4 blocks of 3 to 4-storey buildings and various ancillary structures. It provides a total of 68 guest rooms and suites with various hotel facilities including three multi-functional rooms (which can be used as a restaurant or conference rooms), a bar, shops and car park. The total gross floor area of the Property, excluding the ancillary structures, is approximately 5,216.14 sq.m. (56,147 sq.ft.). The land use rights of the Property have been granted for terms due to expire on 1 February 2045 for tourism uses.	The Property is occupied by 海南寰島海底世界酒店有限公司 (unofficial translation as Hainan Huandao Underwater World Hotel Co., Ltd.) for hotel operation.	RMB110,000,000 (See Notes 3 and 4 below)

Notes:

(1) Pursuant to four sets of Certificate of Land and Building Ownership all dated 14 April 1999 issued by Sanya Municipal People's Government, the ownership of the land together with the four buildings erected thereon is vested in 海南亞龍灣海底世界旅遊有限公司 (unofficial translation as Hainan Yalong Bay Underwater World Travel Co., Ltd.). The land use rights have been granted for terms due to expire on 1 February 2045 for tourism uses. Details of the said certificates are summarized as follows:

Certificate No.	**Block**	**No. of Storey**	**Gross Floor Area** *(sq.m.)*	**Land Area** *(sq.m.)*
三土房(1999)字第0529號 (San Du Fang (1999) Zi No. 0529)	A	3	836.64	1,601.20
三土房(1999)字第0530號 (San Du Fang (1999) Zi No. 0530)	Composite	3	2,109.02	4,036.34
三土房(1999)字第0531號 (San Du Fang (1999) Zi No. 0531)	C	4	1,135.24	2,172.68
三土房(1999)字第0532號 (San Du Fang (1999) Zi No. 0532)	B	4	1,135.24	2,172.68

(2) We have been advised that both Hainan Yalong Bay Underwater World Travel Co., Ltd. and Hainan Huandao Underwater World Hotel Co., Ltd. are wholly-owned subsidiaries of 海南寰島酒店旅遊投資有限公司 (unofficial translation as Hainan Huandao Hotel Travel Investment Co., Ltd.).

(3) The apportionment of the value attributable to the land element and the improvements of the Property would be approximately RMB89,000,000 and RMB21,000,000 respectively.

(4) The market value of the Property in existing state as of 31 May 2011 was reasonably stated at RMB110,000,000.

(5) The opinion of the PRC Legal Advisor is summarized as follows:

a) Hainan Yalong Bay Underwater World Travel Co., Ltd. is in possession of the proper legal title to the land use rights of the Property.

b) Hainan Yalong Bay Underwater World Travel Co., Ltd. is in possession of the proper legal title to the buildings of the Property and is entitled to transfer, lease, mortgage and dispose of by other way the Property.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Certificate of Land and Building Ownership	Obtained

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

Authorised share capital:	***HK$***
6,000,000,000 Shares	600,000,000.00
Issued and fully paid share capital or credited as fully paid:	
4,173,434,227 Shares of HK$0.10 each in issue as at the Latest Practicable Date	417,343,422.70
705,539,557 Shares of HK$0.10 each to be issued upon completion of the Second SP Agreement (assuming the consideration is adjusted to its maximum extent)	70,553,955.70
653,169,039 Shares of HK$0.10 each to be issued upon completion of the Acquisition Agreement (assuming no adjustment to the Consideration)	65,316,903.90
718,485,943 Shares of HK$0.10 each to be issued upon completion of the Acquisition Agreement (assuming the Consideration is adjusted to its maximum extent)	71,848,594.30

All the issued shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. As at the Latest Practicable Date, the Company had issued RMB600,000,000 4.5% bonds due in 2014. For further information, please refer to the announcement of the Company dated 11 May 2011.

3. 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%

(b) Save as disclosed in sub-paragraph (a) above, as at the Latest Practicable Date, none of the Directors nor 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, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(d) As at the Latest Practicable Date, none of the Directors were materially interested in any subsisting contract or arrangement entered into by any member of the Enlarged Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Enlarged Group.

4. 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	Beneficial owner *(Note 2)*	2,286,343,570 (L)	54.78%
CCHK	Controlled corporation *(Note 2)*	2,286,343,570 (L)	54.78%
	Beneficial owner	1,424,025,500 (L) *(Note 3)*	34.12%
CCHG	Controlled corporation *(Note 2)*	3,710,369,070 (L)	88.90%

Notes:

1. The letter "L" represents the entity's interest in the Shares.

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

3. Among these Shares (i) 705,539,557 Shares represent the consideration Shares which may be allotted and issued to CCHK upon completion of the Second SP Agreement (assuming the consideration to be payable by the Company under the Second SP Agreement is adjusted to its maximum extent); and (ii) 718,485,943 Shares represent the Consideration Shares which may be allotted and issued to CCHK upon completion of the Acquisition Agreement (assuming the Consideration to be payable by the Company under the Acquisition Agreement is adjusted to its maximum extent).

(b) Save as disclosed in sub-paragraph (a) above, 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.

5. 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.

6. LITIGATION

In September 2010, 誠通實業投資有限公司 (unofficial translation being Chengtong Industrial Investment Limited) ("**CT Industrial**"), a PRC subsidiary of the Company, has commenced litigation in the PRC as plaintiff against a tenant, requesting for termination of the lease agreement for reason of breach of such tenancy agreement by, among other matters, the unauthorized sub-lease of the leased property, construction of an unauthorized structure ("**Structure**") and transfer of the Structure to a third party, by the tenant. On 7 September 2011, the court granted judgement in favour of CT Industrial and ruled that termination of the tenancy agreement, as requested by CT Industrial, was allowed, the Structure shall then belong to CT Industrial, and CT Industrial shall pay to the third party a sum of approximately RMB5,028,000 for acquiring the Structure.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(a) a third supplemental agreement dated 30 October 2009 entered into among the Company, CCHG and CCHK extending the long stop date of the Second SP Agreement;

(b) a reorganisation agreement dated 18 February 2010 entered into among 中實投資有限責任公司 (Zhongshi Investment Company Limited) ("**Zhongshi**"), a wholly-owned subsidiary of the Company, 北京世紀尊博投資有限公司 (Beijing Century Zun Bo Investment Company Limited) (the "**JV Partner**"), 諸城鳳凰置地有限公司 (Zhucheng Phoenix Landmark Company Limited) ("**Phoenix Landmark**"), 諸城泰豐置地有限公司 (Zhucheng Prosperity Landmark Company Limited) ("**Prosperity Landmark**") and 諸城港龍置地有限公司 (Zhucheng Dragon Landmark Company Limited) ("**Dragon Landmark**"), whereby the parties had conditionally agreed to restructure the shareholding structure and certain debts of each of Phoenix Landmark, Prosperity Landmark and Dragon Landmark;

(c) a forth supplemental agreement dated 30 April 2010 entered into between the Company, CCHG and CCHK further extending the long stop date of the Second SP Agreement;

(d) the share transfer agreement dated 28 June 2010 entered into between Huandao Nanfang as vendor and Huandao Group as purchaser, pursuant to which Huandao Nanfang agreed to sell, and Huandao Group agreed to purchase, the 36.76% equity interests in Travel Investment at a total consideration of RMB50,000,000;

(e) a sale and purchase agreement dated 12 August 2010 entered into among Zhongshi as vendor, 洛陽眾合置業有限公司 (unofficial English translation as Luoyang Zhonghezhiye Company Limited) ("**Luoyang Zhonghezhiye**") as purchaser and 洛陽城南中儲物流有限公司 (unofficial translation as Luoyang Southern City CMST Logistic Limited) ("**Luoyang Logistic**"), pursuant to which Luoyang Zhonghezhiye agreed to purchase, and Zhongshi agreed to sell, the enter equity interest in Luoyang Logistic and the loan owed by Luoyang Logistic to Zhongshi for a total consideration of RMB61,850,000;

(f) a fifth supplemental agreement dated 29 October 2010 entered into between the Company, CCHG and CCHK further extending the long stop date of the Second SP Agreement;

(g) a sale and purchase agreement dated 14 December 2010 entered into between Shine Ocean Limited, a wholly-owned subsidiary of the Company, as vendor and Hongkong Flying Swallow Group Co. Ltd ("**Hongkong Flying Swallow**") as purchaser in relation to the sale and purchase of the entire issued share capital of China Chengtong Properties Group Limited at the consideration of HK$40,910,000;

(h) a sale and purchase agreement dated 14 December 2010 entered into between Ocean-Land (China Investments) Limited, a wholly-owned subsidiary of the Company, as vendor and Hongkong Flying Swallow as purchaser in relation to the sale and purchase of the entire issued share capital of Talent Dragon Limited at the consideration of HK$95,250,000;

(i) a subscription agreement dated 11 May 2011 entered into among the Company, Agricultural Bank of China Limited Hong Kong Branch, ABCI Capital Limited, The Bank of East Asia, Limited, Wing Lung Bank Limited and China Merchants Securities (HK) Co., Ltd. (together, the "**Managers**"), pursuant to which the Managers agreed to subscribe and pay for or procure subscriptions and payment for the RMB600,000,000 4.5% bonds due in 2014 (the "**Bonds**") issued by the Company; and the Bonds were to be issued at 100% of the aggregate principal amount, i.e. RMB600,000,000;

(j) an entrusted loan agreement dated 26 July 2011 entered into among CT Industrial, a wholly-owned subsidiary of the Company, as the lender, 中國物流有限公司 (unofficial English translation being China Logistics Limited) ("**CLC**") as the borrower and Agricultural Bank of China Limited (中國農業銀行股份有限公司), Beijing Xi Cheng branch ("**ABC**") as the lending agent, pursuant to which CT Industrial instructed ABC to act as a lending agent to, inter alia, release a loan in the principal amount of RMB35,000,000, which will be funded by the Group, to CLC;

(k) a loan agreement dated 26 July 2011 entered into between the Company and CCHK, pursuant to which the Company provides a short-term loan in the principal amount of HK$35,000,000 to CCHK;

(l) the Original Acquisition Agreement;

(m) an entrusted fund management agreement dated 12 August 2011 entered into among 誠通融資租賃有限公司 (unofficial English translation as Chengtong Financial Leasing Company Limited) ("**Chengtong Financial Leasing**"), an wholly-owned subsidiary of the Company, as the principal and beneficiary, Anxin Trust & Investment Co., Ltd. as the trustee ("**Trust Company**"), and 昆山力天投資發展有限公司 (unofficial English translation as Kun Shan Li Tian Investment Development Co., Ltd.) as the borrower ("**Borrower**"), pursuant to which Chengtong Financial Leasing will entrust a fund in the amount of RMB50 million to the Trust Company for on-lending to the Borrower; and

(n) the Supplemental Agreement.

8. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who has given opinion or, advice contained in this circular:

Name	Qualification
B.I. Appraisals Limited	registered professional surveyors
CIMB	a corporation licensed to carry on type 1 (dealings in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	certified public accountants

As at the Latest Practicable Date:

(a) none of B.I. Appraisals Limited, CIMB and Deloitte Touche Tohmatsu was beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) none of, B.I. Appraisals Limited, CIMB and Deloitte Touche Tohmatsu had any direct or indirect interest in any assets which have, since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(c) none of B.I. Appraisals Limited, CIMB and Deloitte Touche Tohmatsu were materially interested in any subsisting contract or arrangement entered into by any member of the Enlarged Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Enlarged Group.

9. CONSENTS

B.I. Appraisals Limited, CIMB and Deloitte Touche Tohmatsu have given and have not withdrawn their written consents as to the issue of this circular with the inclusion herein of their respective opinions or letters and/or reference to their names, opinions or letters in the form and context in which they respectively appear.

10. 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 Enlarged Group, which competes or is likely to compete, either directly or indirectly, with that of the Enlarged Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company in Hong Kong at Suite 6406, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours from 30 September 2011 up to and including 14 October 2011 and at the EGM:

(1) the memorandum and articles of association of the Company;

(2) the annual reports of the Group for the two financial years ended 31 December 2010;

(3) the accountants' report of Travel Investment and its subsidiaries prepared by Deloitte Touche Tohmatsu for each of the three years ended 31 December 2010 and the five months ended 31 May 2011 as set out in Appendix II to this circular;

(4) the accountants' report of Huandao Gold prepared by Deloitte Touche Tohmatsu for each of the three years ended 31 December 2010 and the five months ended 31 May 2011 as set out in Appendix III to this circular;

(5) the report issued by Deloitte Touche Tohmatsu in connection with the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular;

(6) the property valuation report issued by B.I. Appraisals Limited in relation to the property interests to be acquired by the Group as set out in Appendix V to this circular;

(7) copies of material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(8) the written consents of B.I. Appraisals Limited, CIMB and Deloitte Touche Tohmatsu referred to in the paragraph headed "Consents" in this appendix;

(9) the Second SP Agreement;

(10) the circular of the Company dated 21 January 2011; and

(11) this circular.

12. 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 Mr. Hui Lap Tak, a practicing solicitor in Hong Kong and an associate member of the Institute of Chartered Secretaries and Administrators, an associate member of the Hong Kong Institute of Chartered Secretaries and an ordinary member of the Hong Kong Securities Institute.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of China Chengtong Development Group Limited ("**Company**") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, on Tuesday, 18 October 2011 at 10:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Ordinary Resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the sale and purchase agreement dated 27 July 2011 and entered into between China Chengtong Hong Kong Company Limited ("**CCHK**") as vendor, the Company as purchaser, and China Chengtong Holdings Group Limited ("**CCHG**") as vendor's warrantor, as supplemented by the supplemental agreement dated 29 August 2011 and entered into between the Company, CCHK and CCHG ("**Acquisition Agreement**") in relation to the acquisition by the Company of the entire issued share capital of a company incorporated in the British Virgin Islands pursuant to the Acquisition Agreement (copy of which has been produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereby be and are hereby approved;

(b) the issue of the Consideration Shares (as defined in the circular of the Company dated 30 September 2011 ("**Circular**") (a copy of which has been produced to the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification)) as set out in the Circular on and subject to the terms of the Acquisition Agreement, be and is hereby approved;

(c) the directors of the Company ("**Directors**") be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Acquisition Agreement; and

(d) the Directors be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Acquisition Agreement and to agree to any amendment to any of the terms of the Acquisition Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company."

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

Hong Kong, 30 September 2011

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

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is appointed. A proxy need not be a member of the Company. In case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the Meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

2. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the Meeting or any adjournment thereof should they so wish.

4. Delivery of a form of proxy should not preclude a shareholder from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.

5. Voting by poll

   The above resolution will be voted by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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