CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2017 amounted to approximately HK$662.08 million, representing an increase of approximately 130% as compared with that for the same period last year.
- Profit before tax amounted to HK$18.61 million, representing a decrease of approximately 59% as compared with that for the same period last year.
- Consolidated gross profit margin for core business was approximately 10%, representing a decrease of approximately 13% as compared with that for the same period last year.
- Earnings per share was approximately HK0.10 cent, representing a decrease of approximately HK0.45 cent as compared with that for the same period last year.
- As at 30 June 2017, the cash (including deposits in other financial institution, bank balances and cash) held by the Group amounted to approximately HK$559.44 million.
- As at 30 June 2017, the debt to equity ratio (expressed as total interest-bearing borrowings divided by total equity) was approximately 10%, representing a decrease of approximately 16% as compared with that as at 31 December 2016.
- The Board has resolved not to declare any interim dividends.

The board ("**Board**") of directors ("**Directors**") of China Chengtong Development Group Limited ("**Company**") would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2017 (the "**period under review**") together with the comparative figures for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**662,082**	288,522
Cost of sales		**(596,175)**	(221,913)
Gross profit		**65,907**	66,609
Other income	*4*	**25,515**	46,363
Selling expenses		**(7,880)**	(6,424)
Administrative expenses		**(50,258)**	(44,301)
Fair value (loss)/gain on investment properties		**(218)**	345
Fair value (loss)/gain on held-for-trading securities		**(81)**	121
Finance costs	*5*	**(14,372)**	(17,361)
Profit before income tax	*7*	**18,613**	45,352
Income tax expense	*6*	**(13,119)**	(14,819)
Profit for the period		**5,494**	30,533
Profit for the period attributable to:			
Owners of the Company		**6,077**	31,968
Non-controlling interests		**(583)**	(1,435)
		5,494	30,533
Earnings per share for profit attributable to owners of the Company during the period	*9*	***HK cent***	*HK cent*
Basic and diluted		**0.10**	0.55

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**5,494**	30,533
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**64,586**	(45,115)
Net change in fair value of available-for-sale financial assets	**(27,396)**	7,857
Total comprehensive income for the period	**42,684**	(6,725)
Total comprehensive income attributable to:		
Owners of the Company	**39,565**	(2,891)
Non-controlling interests	**3,119**	(3,834)
	42,684	(6,725)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**Unaudited At 30 June 2017 HK$'000**	Audited At 31 December 2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**201,545**	158,713
Prepaid land lease payments		**191,296**	188,949
Investment properties		**60,835**	58,934
Deposits paid		**2,559**	37,027
Loans receivable	*10*	**210,345**	353,654
Available-for-sale financial assets	*12*	**5,028**	–
		671,608	797,277
Current assets			
Properties held for sale		**126,975**	159,716
Properties under development		**251,661**	241,042
Properties held for development		**283,855**	276,450
Inventories		**114,017**	6,145
Trade and other receivables	*11*	**102,079**	97,879
Loans receivable	*10*	**226,647**	309,545
Amount due from a non-controlling shareholder of a subsidiary		**22,377**	21,318
Loans to a related party		**–**	36,823
Prepaid land lease payments		**5,429**	5,287
Entrusted loan receivables		**8,050**	7,840
Available-for-sale financial assets	*12*	**1,093,191**	513,130
Held-for-trading securities		**1,198**	1,279
Short-term investments		**–**	13,440
Taxation recoverable		**4,913**	–
Pledged bank deposits		**1,225**	1,640
Deposits in other financial institution		**358,361**	428,186
Bank balances and cash		**201,082**	929,903
		2,801,060	3,049,623

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**Unaudited At 30 June 2017 *HK$'000***	Audited At 31 December 2016 *HK$'000*
Current liabilities			
Trade and other payables	*13*	**133,442**	127,834
Deposits received on sale of properties		**112,135**	72,920
Taxation payable		**3,197**	3,148
Bank borrowings	*14*	**279,350**	77,280
Unsecured other loans		**600**	600
Corporate bonds		**–**	667,219
		528,724	949,001
Net current assets		**2,272,336**	2,100,622
Total assets less current liabilities		**2,943,944**	2,897,899
Non-current liabilities			
Deferred tax liabilities		**76,449**	73,088
Net assets		**2,867,495**	2,824,811
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,185,876**	2,185,876
Reserves		**540,762**	501,197
		2,726,638	2,687,073
Non-controlling interests		**140,857**	137,738
Total equity		**2,867,495**	2,824,811

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1 CORPORATE INFORMATION AND BASIS OF PREPARATION

China Chengtong Development Group Limited (the "**Company**") is a limited company incorporated in Hong Kong. The address of its registered office and its principal place of business is Suite 6406, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company and its subsidiaries (collectively known as the "**Group**") is principally engaged in investment holding, bulk commodity trading, property development, property investment, finance leasing and hotel and marine travelling services.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 30 June 2017, the immediate holding company is World Gain Holdings Limited, which is incorporated in the British Virgin Islands and the directors of the Company consider the Group's ultimate holding company to be China Chengtong Holdings Group Limited, a company incorporated in the People's Republic of China (the "**PRC**").

In prior periods, the Company regarded Renminbi ("**RMB**") as its functional currency. During the period, the directors of the Company have re-evaluated the underlying investment and financing activities and strategy of the Company and these activities have increasingly placed greater reliance on Hong Kong dollars ("**HK$**"). As such, during the six months ended 30 June 2017, the directors of the Company have determined that the functional currency of the Company be changed from RMB to HK$. The change in the functional currency of the Company has been accounted for prospectively from the date of change in accordance with Hong Kong Accounting Standard ("**HKAS**") 21 "The Effect of Changes in Foreign Exchange Rates". On the date of change in functional currency, all items were translated into HK$ at the exchange rate on that date.

The financial information continues to be presented in HK$ as the directors consider that HK$ is the appropriate presentation currency since the Company is incorporated in Hong Kong with its shares listed on the Stock Exchange.

The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The interim financial information does not include all of the information required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on those financial statements. The independent auditor's report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except as described below.

In the current interim period, the Group has adopted, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial year beginning on 1 January 2017:

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments has no material impact on the Group's results of operation or financial position.

The HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1 January 2017 and the Group has not early adopted the rules.

3 TURNOVER AND SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the executive directors, being the Group's chief operating decision makers, review operating results and financial information on a company-by-company basis. Each company is identified as an operating segment in accordance with HKFRS 8. When the group companies are operating in similar business model with similar target group of customers, the group companies are aggregated into same segments.

During the year ended 31 December 2016, the Group has reorganised its internal reporting structure by simplifying the segmental classification based on revenue contribution from its product and service lines so as to enhance operational efficiency. Accordingly, the comparative segment information has been re-presented to conform to current period's presentation. The Group's reportable segments for financial reporting purposes have been reorganised as follows:

(1) Property investment – providing rental services and holding investment properties for appreciation;

(2) Property development – holding land for property development projects;

(3) Finance leasing – providing finance leasing services including arranging sales and lease back transaction;

(4) Bulk commodity trade – trading of coal, steel and non-ferrous metals; and

(5) Hotel and marine travelling services – providing hotel and marine travelling services.

3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

	Property investment HK$'000	Property development HK$'000	Finance leasing HK$'000	Bulk commodity trade HK$'000	Hotel and marine travelling services HK$'000	Total HK$'000
	Unaudited					
	For the six months ended 30 June 2017					
Turnover						
Segment revenue						
– external sales and income	**1,101**	**50,467**	**25,951**	**558,419**	**26,144**	**662,082**
Results						
Segment results *(Note (a))*	**1,062**	**10,714**	**19,454**	**430**	**1,832**	**33,492**
Fair value loss on held-for-trading securities						**(81)**
Fair value loss on investment properties *(Note (b))*						**(218)**
Interest income from entrusted loan receivables						**314**
Unallocated finance costs						**(12,767)**
Unallocated corporate expenses						**(17,624)**
Unallocated other income						**15,497**
Profit before income tax						**18,613**

Notes:

	Property investment HK$'000	Property development HK$'000	Finance leasing HK$'000	Bulk commodity trade HK$'000	Hotel and marine travelling services HK$'000	Unallocated HK$'000	Total HK$'000
(a) Amounts included in measurement of segment results							
Interest income from deposits, short-term investments and available-for-sale financial assets	**–**	**277**	**462**	**7,112**	**660**	**14,620**	**23,131**
Depreciation	**–**	**(38)**	**(61)**	**(1,615)**	**(4,720)**	**(372)**	**(6,806)**
Finance costs	**–**	**–**	**(1,594)**	**(11)**	**–**	**(12,767)**	**(14,372)**
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value loss on investment properties	**(218)**	**–**	**–**	**–**	**–**	**–**	**(218)**

3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	Property investment *HK$'000*	Property development *HK$'000*	Finance leasing *HK$'000*	Bulk commodity trade *HK$'000* (Re-presented)	Hotel and marine travelling services *HK$'000*	Total *HK$'000*
	Unaudited For the six months ended 30 June 2016					
Turnover						
Segment revenue						
– external sales and income	1,070	47,141	31,035	181,604	27,672	288,522
Results						
Segment results *(Note (a))*	976	9,942	29,507	(25)	6,044	46,444
Fair value gain on held-for-trading securities						121
Fair value gain on investment properties *(Note (b))*						345
Interest income from entrusted loan receivables						2,495
Unallocated finance costs						(17,361)
Unallocated corporate expenses						(27,281)
Unallocated other income						40,589
Profit before income tax						45,352

Notes:

	Property investment *HK$'000*	Property development *HK$'000*	Finance leasing *HK$'000*	Bulk commodity trade *HK$'000* (Re-presented)	Hotel and marine travelling services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
(a) Amounts included in measurement of segment results							
Interest income from deposits, short-term investments and available-for-sale financial assets	–	79	1,523	153	245	27,143	29,143
Depreciation	–	(71)	(56)	–	(4,427)	(2,032)	(6,586)
Finance costs	–	–	–	–	–	(17,361)	(17,361)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value gain on investment properties	345	–	–	–	–	–	345

3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

The following is the details of unallocated other income and unallocated corporate expenses:

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Unallocated other income mainly comprised:		
Interest income from deposits, short-term investments and available-for-sale financial assets	**14,620**	27,143
Interest income from a related party	**340**	1,783
Others	**537**	11,663
Total unallocated other income	**15,497**	40,589
Unallocated corporate expenses mainly comprised expenses which are not directly attributable to the business activities of any operating segment:		
Staff costs of the Group's headquarter	**7,057**	14,610
Depreciation	**372**	2,032
Amortisation	**1,670**	1,759
Others*	**8,525**	8,880
Total unallocated corporate expenses	**17,624**	27,281

* Others mainly represented rental expenses, legal and professional expenses and office expenses of the Group's headquarters, which are not directly attributable to the business in any operating segment.

3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment assets

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

	Unaudited At 30 June 2017 ***HK$'000***	Audited At 31 December 2016 *HK$'000*
Segment assets		
Property investment*	**60,835**	58,934
Property development	**744,932**	792,620
Finance leasing	**828,329**	791,155
Bulk commodity trade	**849,033**	79,096
Hotel and marine travelling services	**252,845**	203,595
Total segment assets	**2,735,974**	1,925,400
Unallocated		
– Prepaid land lease payments	**152,723**	150,395
– Entrusted loan receivables	**8,050**	7,840
– Available-for-sale financial assets	**510,403**	513,130
– Deposits in other financial institution	**1,522**	428,186
– Bank balances and cash	**25,628**	716,744
– Other unallocated assets *(note)*	**38,368**	105,205
Total assets	**3,472,668**	3,846,900

* Segment assets of property investment segment include investment properties but segment results excluded the related fair value loss of HK$218,000 (for the six months ended 30 June 2016: fair value gain of HK$345,000) for the period.

Note: Other unallocated assets mainly represented property, plant and equipment and other receivables that are not directly attributable to the business in any operating segment.

4 OTHER INCOME

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interest income from:		
– deposits, short-term investments and available-for-sale financial assets	**23,131**	29,143
– entrusted loan receivables	**314**	2,495
– a non-controlling shareholder of a subsidiary	**479**	497
– a related party	**340**	1,783
	24,264	33,918
Exchange gain, net	**–**	11,298
Gain on disposal of property, plant and equipment	**111**	–
Others	**1,140**	1,147
	25,515	46,363

5 FINANCE COSTS

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interest on corporate bonds	**14,333**	21,130
Interest on bank borrowings	**2,828**	–
	17,161	21,130
Less: Amounts capitalised on properties under development	**(2,789)**	(3,769)
	14,372	17,361

6 INCOME TAX EXPENSE

Hong Kong Profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong during the period. The subsidiaries established in the PRC are subject to enterprise income tax of 25%. The current tax for the period also included PRC land appreciation tax ("**LAT**"). The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax	**11,927**	14,690
(Over)/under-provision in prior years	**(187)**	129
Deferred taxation	**1,379**	–
Total income tax expense for the period	**13,119**	14,819

7 PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment (net of amount capitalised on properties under development)	**6,806**	6,586
Amortisation of prepaid land lease payments	**2,667**	2,809
Exchange loss, net	**1,491**	–
Expenses capitalised on properties under development:		
Depreciation	**51**	56
Finance costs	**2,789**	3,769
Staff costs	**1,137**	702

8 DIVIDENDS

The directors of the Company did not declare any interim dividend for the six months ended 30 June 2017 and 2016 and the Company did not recommend the payment of a dividend for the year ended 31 December 2016.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of HK$6,077,000 (for the six months ended 30 June 2016: HK$31,968,000) attributable to the owners of the Company and on the weighted average number of 5,808,735,000 shares (for the six months ended 30 June 2016: 5,808,735,000 shares).

There was no potential dilutive ordinary share outstanding for both periods and therefore the dilutive earnings per share is the same as basic earnings per share.

10 LOANS RECEIVABLE

As at 30 June 2017, the Group had six (31 December 2016: nine) sale and leaseback agreements pursuant to which the customers (the "**lessees**") sold their equipment and facilities to the Group and leased back the equipment and facilities with the lease period of 3 years (31 December 2016: from 2.5 years to 3 years) from the date of inception. In addition, the ownership of leased assets will be transferred to the lessees at a purchase option of RMB1 upon the settlement of the receivable and the interest accrued under the sale and leaseback arrangements. The lessees retain control of the equipment and facilities before and after entering into the sale and leaseback arrangements, which do not therefore constitute a lease for accounting purposes. Rather, the arrangements have been accounted for as a secured loan in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

	Unaudited At 30 June 2017	Audited At 31 December 2016
Analysed for reporting purposes as:		
Current assets	**226,647**	309,545
Non-current assets	**210,345**	353,654
	436,992	663,199

As at 30 June 2017, effective interest rates ranged from approximately 6.50% to 10.40% (31 December 2016: 6.50% to 10.87%) per annum.

As at 30 June 2017 and 31 December 2016, no loans receivable had been past due or impaired. The loans receivable under the sale and leaseback arrangements are secured by the leased equipment and facilities and the Group has obtained guarantees provided by the controlling shareholders of the lessees. The Group is not permitted to sell or re-pledge the collateral in absence of default by the lessees. The lessees are obliged to settle the amounts according to the terms set out in the relevant contracts.

As at 30 June 2017 and 31 December 2016, the fair value of loans receivable approximated to its carrying amount.

11 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Trade receivables *(note (a))*	**4,265**	63,682
Prepayments to suppliers	**53,643**	251
Other prepayments and deposits	**11,024**	11,940
Other receivables	**33,147**	22,006
	102,079	97,879

11 TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

(a) As at 30 June 2017 and 31 December 2016, trade receivables mainly arose from bulk commodity trading. There is 0 to 45 days (for the year ended 31 December 2016: 30 to 45 days) credit period granted to certain customers of bulk commodity trade business for the six months ended 30 June 2017.

The following is an ageing analysis of trade receivables, presented based on the invoice date at the end of reporting period.

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Within three months	**4,265**	63,682

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Non-current:		
Unlisted equity investments, at cost *(note (a))*	**5,028**	–
Current:		
Listed debt investments, at fair value:		
– Term note with interest of 8.125% per annum, dual-listed in Singapore and Ireland	**232,125**	241,530
Listed equity investments, at fair value:		
– Shares listed in Hong Kong	**177,800**	–
Unlisted investments, at cost		
– Investment with interest ranging from 3.2% to 8.1% (31 December 2016: 3.9% to 9.2%) per annum	**683,266**	271,600
	1,093,191	513,130

Note:

(a) During the six months ended 30 June 2017, the Group acquired 14% equity interest of an unlisted entity operated in the PRC and is principally engaged in research and development and manufacturing of high technology marine tourism equipment for cash consideration of approximately HK$5,028,000. The Group intends to hold this investment for long-term capital appreciation and had no intention to dispose of the investment in the near future.

None of the available-for-sale financial assets was past due nor impaired as at 30 June 2017 and 31 December 2016.

13 TRADE AND OTHER PAYABLES

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Trade payables *(note (a))*	**45,422**	22,252
Other payables and accruals	**39,088**	41,511
Accrual of construction costs	**48,932**	64,071
	133,442	127,834

Note:

(a) The following is an ageing analysis of trade payables, presented based on the invoice date at the end of reporting period.

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Within 1 year	**41,701**	18,669
Over 1 year but less than 2 years	**3,081**	2,974
Over 2 years but less than 3 years	**640**	609
	45,422	22,252

14 BANK BORROWINGS

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Unsecured bank borrowings – short term	**279,350**	77,280

The short-term bank loans were unsecured and repayable within one year from the end of the reporting period. The effective interest rates of the bank loans ranged from 2.37% to 4.20% per annum at 30 June 2017 (31 December 2016: 3.91% to 4.79% per annum).

15 CAPITAL COMMITMENTS

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Contracted but not provided for		
Purchase of property, plant and equipment	**6,020**	5,309

16 CONTINGENT LIABILITIES

(a) As at 30 June 2017, the Group had contingent liabilities in relation to guarantees of approximately HK$82,485,000 (At 31 December 2016: HK$117,072,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties.

(b) On 29 March 2016, the Group entered into the a guarantee agreement with Chengtong Coal Investment Limited ("**Chengtong Coal**"), a subsidiary of the ultimate holding company of the Company, pursuant to which the Group has provided a guarantee by pledging its buildings with net book value of approximately HK$50,160,000 as at 30 June 2017 (At 31 December 2016: HK$50,928,000) and issuing a guarantee letter to Supreme People's Court of Guangxi Zhuang Autonomous Region to the extent of RMB53,540,000 (approximately HK$61,571,000) for a period of three years (or such shorter period as may be approved by the court). The guarantee was for the purpose of supporting a property preservation order on certain subject assets under a litigation of between Chengtong Coal and its debtors.

On 29 March 2016, the Group also entered into a deed of counter-indemnity ("**Indemnity Deed**") with China Chengtong Hong Kong Company Limited ("**CCHK**") pursuant to which CCHK agreed to indemnify the Group in full for its liabilities and loss, if any, which may arise from the guarantee provided by the Group.

Details in relation to the guarantee agreement and the Indemnity Deed are set out in the Company's announcement dated 29 March 2016.

In the opinion of the directors of the Company, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in the interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

I. CONSOLIDATED RESULTS AND DIVIDEND

During the period under review, there was a significant increase in the turnover of the Group as a result of the active trading of bulk commodity which expanded to the trading in metals. The turnover amounted to approximately HK$662.08 million (the corresponding period of last year: approximately HK$288.52 million), representing a significant year-on-year increase of approximately 130%. However, due to the intense competition in the bulk commodity trade and the minimal sales margin, a consolidated gross profit of approximately HK$65.91 million was recorded (the corresponding period of last year: approximately HK$66.61 million), representing a year-on-year decrease of approximately 1%. In addition, due to the expansion of the bulk commodity trade and the increase in staff cost of the Group, the selling and administrative expenses for the period under review in aggregate amounted to approximately HK$58.14 million (the corresponding period of last year: approximately HK$50.73 million), representing a year-on-year increase of approximately 15%. An exchange loss, net of approximately HK$1.49 million was recorded for the period under review while an exchange gain, net of approximately HK$11.30 million was recorded for the corresponding period of last year, resulting in a year-on-year decrease in profit by approximately HK$12.79 million. The interest income for the period under review was approximately HK$24.26 million (the corresponding period of last year: approximately HK$33.92 million), representing a year-on-year decrease of approximately 28%. Primarily due to the above factors, for the six months ended 30 June 2017, the Group recorded a consolidated profit after tax of approximately HK$5.49 million (the corresponding period of last year: approximately HK$30.53 million), representing a year-on-year decrease of approximately 82%. The profit attributable to owners of the Company for the period amounted to approximately HK$6.08 million (the corresponding period of last year: approximately HK$31.97 million), representing a year-on-year decrease of approximately 81%.

The Board did not recommend the declaration of any interim dividend for the six months ended 30 June 2017 (the corresponding period of last year: nil).

II. BUSINESS REVIEW

Segment Revenue and Results

(1) Property Investment

The rental income from property investment of the Group was generated from CCT-Champs-Elysees project in Zhucheng of Shandong Province. As at 30 June 2017, the leasable area of the project was approximately 7,565 square metres, representing an increase of approximately 2,716 square metres from approximately 4,849 square metres in the corresponding period of last year. The increased leasable area was leased for use as a kindergarten from September 2016 with a rent-free period of one year. Besides, due to the renewal of six existing leases in the second half of last year with an increase of rent for all new leases, rental income of approximately HK$1.10 million (the corresponding period of last year: approximately HK$1.07 million) and profit before tax of approximately HK$1.06 million (the corresponding period of last year: approximately HK$0.98 million) were recorded during the period under review, representing a year-on-year increase of approximately 3% and approximately 9% respectively. All leased properties were for commercial use.

(2) Property Development

During the period under review, the turnover and profit before tax from the property development segment amounted to approximately HK$50.47 million (the corresponding period of last year: approximately HK$47.14 million) and approximately HK$10.71 million (the corresponding period of last year: approximately HK$9.94 million) respectively, representing a year-on-year increase of approximately 7% and 8% respectively. The sales income from the property development of the Group was generated from the CCT-Champs-Elysees project in Weifang of Shandong Province, while there was no sales revenue from Chengtong International City project in Dafeng City of Jiangsu Province during the period under review. Details of the two projects are as follows:

(i) Zhucheng city of Shandong Province – CCT-Champs-Elysees

The CCT-Champs-Elysees project, which is wholly-owned by the Group, is situated in part of a parcel of land located at the northern side of Eastern Section of No. 1 Mizhou West Road, Zhucheng City, Shandong Province, the PRC (Lot No. 01213003). The project has a total site area of approximately 146,006 square metres and has been developing in three phases. During the period under review, residential apartments of approximately 8,075 square metres, commercial space of approximately 242 square metres and underground ancillary apartments of approximately 551 square metres (the corresponding period of last year: approximately 7,775 square metres, 0 square metres and approximately 310 square metres respectively) of phase I and phase II of the project were sold and delivered, and 4 underground parking spaces and 10 ground-level parking spaces (the corresponding period of last year: 18 underground parking spaces and 18 ground-level parking spaces) were sold and delivered. The average unit selling price per square metre for residential apartments of the project were approximately HK$5,853 (the corresponding period of last year: approximately HK$5,754), representing a year-on-year increase of approximately 2%. The sales revenue of this project during the period under review was approximately HK$50.47 million (the corresponding period of last year: approximately HK$47.14 million), representing a year-on-year growth of approximately 7%. The profit before tax amounted to approximately HK$11.57 million (the corresponding period of last year: approximately HK$10.80 million), representing a year-on-year increase of approximately 7%, which was mainly attributable to the increase of sales revenue as compared to the corresponding period of last year.

As at 30 June 2017, the unsold or sold but not yet delivered area of phase I and phase II of CCT-Champs-Elysees project included residential apartments of approximately 12,468 square metres (as at 31 December 2016: approximately 20,542 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2016: approximately 1,652 square metres) (excluding the leased area of approximately 7,565 square metres (as at 31 December 2016: approximately 7,565 square metres)).

Construction works of phase III of CCT-Champs-Elysees project have commenced and are expected to be completed and delivered during the period from 2017 to 2020.

(ii) Dafeng City of Jiangsu Province – Chengtong International City

The Group holds 66.67% equity interest in "Chengtong International City", which is located at North Portion of Lot No. 2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC. The total site area is approximately 118,974 square metres and the initial development area was developed in two sections. During the period under review, as no sales revenue was generated from this project, a loss before tax amounting to approximately HK$0.86 million (the corresponding period of last year: approximately HK$0.86 million) was recorded, which was the same as that of the corresponding period of last year.

As at 30 June 2017, the unsold area of residential apartments of Chengtong International City project was approximately 11,022 square metres (as at 31 December 2016: approximately 11,022 square metres) and the unsold area of commercial space was approximately 9,540 square metres (as at 31 December 2016: approximately 9,540 square metres).

Land Resources Development

The Group will continue to exit the property development business in certain third-tier and fourth-tier cities with lower profitability as opportunities arise. The Group planned to dispose of a parcel of land in Dafeng City of Jiangsu Province. 誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited), a 66.67%-owned subsidiary of the Company, held a parcel of industrial land situated in the south of Shugang Highway, Dafeng City, Jiangsu Province, the PRC and three parcels of residential and commercial land situated at lot number 1 to 3 in the Port Serviced Area, Ocean Economic Development Zone, Dafeng City, Jiangsu Province. On 3 July 2014, the Group entered into two resumption agreements with Dafeng Land Reserve Center and Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone (the "**Dafeng Harbour Committee**") and two compensation agreements with the Dafeng Harbour Committee and 江蘇大豐海港控股集團有限公司 (unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited) in relation to the resumption of two plots of land in Dafeng City of Jiangsu Province at the total compensation amount of RMB219.92 million (equivalent to approximately HK$252.91 million). Details of the resumption of land were set out in the Company's announcement dated 3 July 2014. However, the compensation amount has not been finalised and the resumption of land has not been completed as of 30 June 2017 and the date of this announcement.

(3) *Finance Leasing*

During the period under review, the turnover and profit before tax from the finance leasing business were approximately HK$25.95 million (the corresponding period of last year: approximately HK$31.03 million) and approximately HK$19.45 million (the corresponding period of last year: approximately HK$29.51 million), representing a year-on-year decrease of approximately 16% and 34% respectively. The main reasons were: (i) the Group provided financing consultancy services during the period under review, increasing a one-off service income of approximately HK$4.26 million, whereas one-off service income of approximately HK$7.86 million was recorded from the provision of financing consultancy services during the corresponding period of last year, representing a year-on-year decrease of approximately 46%; (ii) administrative expenses and finance costs for the period under review recorded a year-on-year increase of approximately 31% and 100% respectively to approximately HK$5.37 million (the corresponding period of last year: HK$4.11 million) and approximately HK$1.59 million (the corresponding period of last year: HK$0) respectively. The increase in administrative expenses was mainly due to the increase in staff costs by approximately 42% from last year to approximately HK$3.58 million (the corresponding period of last year: approximately HK$2.53 million), and the increase in finance costs was mainly due to the Group's borrowings from Mainland banks of approximately HK$77.28 million in December last year at interest rates of approximately 3.91% to 4.8% per annum; and (iii) the Group received a refund of value-added tax of approximately HK$1.05 million in February last year, whereas no one-off income on value-added tax refund was recorded during the period under review.

(4) *Bulk Commodity Trade*

The Group was engaged in trading of coal, steel and non-ferrous metals under bulk commodity trading. During the period under review, turnover from bulk commodity trade was approximately HK$558.42 million (the corresponding period of last year: approximately HK$181.60 million), representing a year-on-year increase of approximately HK$376.82 million, and a profit before tax of approximately HK$0.43 million (the corresponding period of last year: loss before tax of approximately HK$25,000) was recorded, realising a turnaround from loss to profit.

Trading of Coal

Benefited from the implementation of national policies such as "elimination of excess production capacity" and "reduction of inventory" last year, coupled with the economic growth which was faster than expected, the strong demand for coal and the continuous rising of coal price, the coal trading business was able to realise a turnaround from loss to profit. During the period under review, the sales volume of coal trading was approximately 480,000 tons (the corresponding period of last year: approximately 440,000 tons), representing a year-on-year increase of approximately

9%. Turnover was approximately HK$315.95 million (the corresponding period of last year: approximately HK$181.60 million), representing a year-on-year growth of approximately 74%. Due to the persistent rebound of both coal demand and prices during the period under review, the unit selling price increased to approximately HK$656 per ton (the corresponding period of last year: approximately HK$417 per ton), representing a year-on-year rise of approximately 57%, which led to an increase of the gross profit ratio to approximately 1.1% during the period under review (the corresponding period of last year: approximately 0.8%), offsetting the effect of the increase in the administrative expenses by approximately 55% over last year. As a result, a profit before tax of approximately HK$1.50 million was recorded for the period under review, while a loss before tax of approximately HK$25,000 was recorded for the corresponding period of last year, realising a turnaround from loss to profit.

Trading of steel and non-ferrous metals

During the period under review, the Group restarted its trading of bulk commodity in non-ferrous metals. At the same time, steel industry showed signs of recovery, and the elimination of excess production capacity of the steel industry in the Mainland was considerably effective to reduce the supply of steel which was favorable to price stabilisation. With decreased supply and increased demand, steel prices maintained moderate rise. As such, under the condition of controllable risk, the Group expanded the trading of bulk commodity in steel. During the period under review, the total sales volume of bulk commodity in steel and non-ferrous metals was approximately 73,033 tons, which included the sales volume of steel and non-ferrous metals of approximately 72,733 tons and 300 tons respectively. The total turnover was approximately HK$242.47 million (the corresponding period of last year: HK$0), which comprised of approximately HK$228.79 million as turnover from steel and approximately HK$13.68 million as turnover from non-ferrous metals, accounting for approximately 94% and approximately 6% of the total turnover respectively. However, due to the intense competition in the bulk commodity trading industry, gross profit ratio was merely of approximately 2%, thereby resulting in a loss before tax of approximately HK$1.07 million during the period under review (the corresponding period of last year: HK$0).

(5) Hotel and Marine Travelling Services

The hotel and marine travelling services mainly consist of marine travelling business, hotel operation and travelling agency business.

Marine Travelling Business

During the period under review, the marine travelling business recorded a turnover of approximately HK$22.44 million (the corresponding period of last year: approximately HK$24.19 million), representing a year-on-year decrease of approximately 7%, which was mainly due to the adverse weather and offshore conditions which resulted in the decrease of operating days of offshore projects and the decrease of net income arising from the implementation of levying value-added tax in lieu of business tax. The gross profit ratio for the period under review was approximately 63% (the corresponding period of last year: approximately 69%), representing a year-on-year decrease of approximately 6%. The profit before tax for the period under review was approximately HK$5.29 million (the corresponding period of last year: approximately HK$9.25 million), representing a year-on-year decrease of approximately 43%, which was mainly attributable to the decrease in turnover and the increase in costs and expenses.

Hotel Business

During the period under review, the hotel business recorded a turnover of approximately HK$2.72 million (the corresponding period of last year: approximately HK$3.44 million), representing a year-on-year decrease of approximately 21%, which was mainly attributable to the overall aging of the equipment and facilities of hotels, which led to the cessation of sales and the maintenance of certain rooms in early 2017. During the period under review, the number of saleable rooms decreased as compared with that of the corresponding period of last year. The average occupancy rate of hotels was approximately 36.4%, representing a year-on-year decrease of approximately 1.8%. The average room rates decreased by approximately 4% as well. The loss before tax for the period under review amounted to approximately HK$3.95 million (the loss before tax for the corresponding period of last year: approximately HK$2.91 million), representing a year-on-year increase of approximately HK$1.04 million, which was mainly attributable to the decrease in turnover and the increase in costs and expenses.

Travelling Agency Business

Although the travelling agency business was still at the exploration stage for e-commerce tourism, its turnover recorded a significant increase as compared with that for the corresponding period of last year.

During the period under review, the total segment turnover of the Group from the three items of hotel and marine travelling business above amounted to approximately HK$26.14 million (the corresponding period of last year: approximately HK$27.67 million), representing a year-on-year decrease of approximately 6% and the segment profit before tax amounted to approximately HK$1.83 million (the corresponding period of last year: approximately HK$6.04 million), representing a year on-year decrease of approximately 70%.

Other income

During the period under review, other income mainly included interest income from deposits, short-term investments and available-for-sale financial assets of approximately HK$23.13 million (the corresponding period of last year: approximately HK$29.14 million), net commission income from the electricity sales agency business of approximately HK$0.55 million (the corresponding period of last year: approximately HK$0) and interest income from entrusted loan receivables of approximately HK$0.31 million (the corresponding period of last year: approximately HK$2.50 million). The Group utilized certain internal capital to invest in several available-for-sale financial assets with relevant aggregate investment amount of approximately HK$1.09 billion with an annual return rate of approximately 3.2% to 8.125%. The investment will not affect the normal operation of the Group and will generate satisfactory returns. During the period under review, the total amount of other income was approximately HK$25.52 million (the corresponding period last year: approximately HK$46.36 million), representing a year-on-year decrease of approximately 45%. The main reasons for the decrease were: (i) an exchange gain, net of approximately HK$11.30 million was recorded during the corresponding period of last year, while no exchange gain was recorded during the period under review; and (ii) during the period under review, the average annual return rate of the available-for-sale financial assets and the deposits in banks and other financial institution decreased as compared with that of the corresponding period of last year, which caused the decrease in the relevant interest income by approximately HK$6.01 million as compared to that of last year.

Selling and administrative expenses

During the period under review, selling expenses of the Group amounted to approximately HK$7.88 million (the corresponding period of last year: approximately HK$6.42 million), representing a year-on-year growth of approximately 23%. The administrative expenses amounted to approximately HK$50.26 million (the corresponding period of last year: approximately HK$44.30 million), representing a year-on-year increase of approximately 13%. The increase in selling expenses was mainly attributable to the expansion of bulk commodity trade, which led to an increase in relevant warehousing charge of approximately HK$1.46 million (the corresponding period of last year: HK$0). The increase in administrative expenses was mainly attributable to an increase in the staff costs by approximately HK$4.63 million as compared with the corresponding period of last year and the Group recorded a net exchange loss of approximately HK$1.49 million during the period under review.

Finance costs

During the period under review, the total finance costs of the Group was approximately HK$17.16 million (the corresponding period of last year: approximately HK$21.13 million), representing a year-on-year decrease of approximately 19%. The finance costs mainly included the interest expenses and amortisation costs of approximately HK$14.33 million (the corresponding period of last year: approximately HK$21.13 million) in respect of the RMB-denominated bonds issued by the Company and the interests on bank borrowings of approximately HK$2.83 million (the corresponding period of last year: approximately HK$0). After deducting the finance costs of approximately HK$2.79 million (the corresponding period of last year: approximately HK$3.77 million) which was capitalised during the period under review, the net finance costs was approximately HK$14.37 million (the corresponding period of last year: approximately HK$17.36 million), representing a year-on-year decrease of approximately 17%. The decrease in finance costs was mainly attributable to the decrease in relevant interest costs as a result of the full redemption of the RMB600 million bonds issued by the Company in May 2017.

III. OUTLOOK

During the first half of 2017, the global economy continued to improve. While the overall recovery of the developed economies remained stable and economic turnaround had been shown in the United States of America, Eurozone and Japan, China and India continued to lead the growth among the emerging economies. China recorded a year-on-year growth of approximately 6.9% in its GDP during the period under review, which implied that the economy had been growing at a reasonable level towards steady and improving trend. The exchange rate of RMB remained stable, while the exchange rate of RMB against USD had appreciated by approximately 2.6% as compared with that at the beginning of 2017. During the period under review, the state-owned enterprise reform of China was implementing steadily. China Chengtong Holdings Group Limited ("**CCHG**"), the controlling shareholder of the Group, was the pioneer of this round's state-owned enterprise reform and comprehensively promoted the reorganization of state-owned capital operation companies. CCHG initiated to establish the "China State-owned Enterprise Structure Adjustment Fund" with the total scale of RMB350 billion and attracted the high attention of domestic and foreign capital market. This was a key implementation of the State Council in relation to the deepening of the state-owned enterprise reform and optimization of the structure and layout of central government-controlled enterprises. Meanwhile, since the global economic recovery is imbalance and there is no sign of strong structural growth, it is expected that the Group will still face many risks and uncertainties.

In terms of hotel and marine travelling services, the Group's key emphasis for the period under review were to further explore new tourism resources while evaluating the feasibility of launching spin-off listing of its travelling business on the Growth Enterprise Market of the Stock Exchange. Through the introduction of several items such as keel sailboat and the environmentally-friendly and energy efficient hybrid power boat, the Group strived to conduct persistent and all dimensional expansion of the product line of the marine entertainment business. Moreover, the Group participated in the reorganisation of the equity structure of 中船重工(海南)飛船發展有限公司 ("**中船重工**"). 中船重工 will focus on research, development, and sale of high technology marine tourism equipment such as the commercial wing-in-ground effect vehicle and the Huandao Jiaolong transparent sightseeing submarine, and will provide customers with comprehensive solutions involving market research, project planning, product design and manufacturing, crew training, finance leasing services and operation management services.

For property development and property investment, the Group's overall strategy is to speed up its withdrawal from the market so as to obtain cash flow for the strategic transformation of the Group.

In respect of finance leasing, the Group will continue to strengthen its cooperation in respect of government infrastructure and public utilities and has already had a number of projects in reserve, which will further improve its reasonable layout in the major cities of China. At the same time, the finance leasing business team actively commenced research on new business, and made effective exploration in the areas of bulk solid waste, distributed photovoltaic project and leasing of electric logistics vehicle which uses new energy.

With regards to bulk commodity trading, the price of bulk commodity gradually increased in overall during the period under review. The Group seized this beneficial opportunity to expand its bulk commodity trading business under the premise that the risks would be strictly controlled. In respect of coal trading under the bulk commodity trade segment, after the end of the rising trend of the price in the coal market in 2016, the coal price has been adjusting during the period under review. While conducting its proprietary trading cautiously, on the condition that the price risk is controlled, the Group has expanded its electricity sales agency business which helped ensure operating income and profit and enhance its influence to the small and medium-sized customers downstream. Meanwhile, building on the existing coal trading business under the segment of bulk commodity, the Group has been actively expanding into the market of downstream sales of electricity and accelerating its transformation. During the period under review, a total of 52 million kilowatt-hours of electric power was sold, forming a business layout with products of coal and electric power in the regional market.

In May 2017, the Group participated in the share placing of Honghua Group Limited. Such act demonstrated a new model of overseas mergers and acquisitions by "going global" with other state-owned enterprises. The Group will try its best endeavor to better develop its existing business, while at the same time capitalizes the resources and utilizes the advantages brought about by its controlling shareholder as a state-owned capital operating company, and continue to explore relevant business areas such as cross-border asset management, overseas investments and mergers and acquisitions, so as to enhance the level of internationalization in its operation and generate new source of profit.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, equity attributable to the owners of the Company amounted to approximately HK$2,726.64 million (as at 31 December 2016: approximately HK$2,687.07 million), representing an increase of approximately HK$39.57 million as compared with that as at 31 December 2016, which was mainly attributable to the appreciation of RMB during the period under review, which resulted in the Group recording an increase in exchange reserve of approximately HK$60.88 million and the profit attributable to the owners of the Company amounted to approximately HK$6.08 million.

As at 30 June 2017, the total assets of the Group amounted to approximately HK$3,472.67 million (as at 31 December 2016: approximately HK$3,846.90 million), representing a drop of approximately HK$374.23 million as compared with that as at 31 December 2016, which was mainly due to repayment of corporate bonds by the Group out of its bank deposits amounted to approximately HK$667.22 million during the period under review. The amount of total current assets of the Group as at 30 June 2017 was approximately HK$2,801.06 million (as at 31 December 2016: approximately HK$3,049.62 million), accounting for approximately 81% of the total assets and representing a decrease of approximately HK$248.56 million as compared with that as at 31 December 2016. The total non-current assets of the Group as at 30 June 2017 amounted to approximately HK$671.61 million (as at 31 December 2016: approximately

HK$797.28 million), accounting for approximately 19% of the total assets and representing a decrease of approximately HK$125.67 million as compared with that as at 31 December 2016, the main reason of which was that no new finance leasing contract was entered into during the period under review, resulting in the decrease in the loans receivable by approximately HK$143.31 million as compared with that as at 31 December 2016. As at 30 June 2017, total liabilities of the Group amounted to approximately HK$605.17 million (as at 31 December 2016: approximately HK$1,022.09 million), representing a decrease of approximately HK$416.92 million as compared with that as at 31 December 2016. As at 30 June 2017, the total non-current liabilities of the Group amounted to approximately HK$76.45 million (as at 31 December 2016: approximately HK$73.09 million), accounting for approximately 13% of the total liabilities and representing an increase of approximately HK$3.36 million as compared with that as at 31 December 2016. As at 30 June 2017, the total current liabilities of the Group amounted to approximately HK$528.72 million (as at 31 December 2016: approximately HK$949 million), accounting for approximately 87% of total liabilities and representing a decrease of approximately HK$420.28 million as compared with that as at 31 December 2016, which was mainly due to the repayment of corporate bonds of approximately HK$667.22 million by the Group during the period under review.

As at 30 June 2017, the Group had cash and deposits (including deposits in other financial institution, bank balances and cash) of approximately HK$559.44 million (as at 31 December 2016: approximately HK$1,358.09 million), accounting for approximately 16% and 20% of the total assets and the net assets respectively and representing a decrease of approximately HK$798.65 million as compared with the cash and deposits as at 31 December 2016, which was mainly attributable to the net increase of available-for-sale financial assets of approximately HK$580.06 million and repayment of corporate bonds out of bank deposits of approximately HK$667.22 million during the period under review. As at 30 June 2017, the bank borrowings of the Group amounted to approximately HK$279.35 million, representing a decrease of approximately HK$465.15 million as compared with the total borrowings as at 31 December 2016 of approximately HK$744.50 million, which comprised of approximately HK$667.22 million as corporate bonds and approximately HK$77.28 million as bank borrowings. As at 30 June 2017, bank borrowings of approximately HK$79.35 million was of one-year term and the remaining balance of HK$200 million was a revolving loan with the final repayment date in the year of 2020. The interest rates of the bank borrowings ranged from approximately 2.37% to approximately 4.2% per annum. It is expected that the Group will have sufficient financial resources to cope with the commitments and liabilities for the following year.

V. DEBT TO EQUITY RATIO

The debt to equity ratio (expressed as total interest-bearing borrowings divided by total equity) as at 30 June 2017 was approximately 10%, representing a decrease of 16% as compared with the debt to equity ratio of approximately 26% as at 31 December 2016, which indicated a low liability level and a stable financial position of the Group.

VI. EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

The Group's businesses were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 30 June 2017, the net assets of the Group's business within the territory of the PRC were approximately RMB2,169.75 million. According to HKASs, such amount should be converted at the exchange rate applicable as at the end of the reporting period. Due to the appreciation of RMB during the period under review, the net assets of the Group increased, and exchange reserve also increased by approximately HK$60.88 million. Although foreign currency exposure does not pose significant risks to the Group and currently, the Group does not have any hedging measures against such exchange risks, the Group will also continue to closely monitor the risks arising from such currency movements.

VII. TREASURY POLICIES

The business activities and operation of the Group are mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and US dollars, which expose the Group to foreign currency risks. The Group currently does not have a foreign currency hedging policy but maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised.

As at 30 June 2017, the Group's bank borrowings were denominated in HKD and RMB, of which the RMB-denominated bank borrowings were principally on a fixed interest rate basis, and the HKD-denominated borrowings were based on floating interest rates. The floating interest rates is stabilised at a low level because the banks in Hong Kong have sufficient capital and strong liquidity and there is no urgent need to increase the interest rates. Although the Group does not have any hedging measures against such interest rate risks, the Group will continue to closely monitor the risks arising from such interest rate movements. When interest rate rises, hedging instruments will be used in due course against the interest rate risks caused by HKD-denominated borrowings which are based on floating interest rates.

VIII. PLEDGE OF ASSETS

(a) As at 30 June 2017, bank deposits of approximately HK$1.23 million of the Group were pledged as security for banking facilities granted to mortgagees (as at 31 December 2016: approximately HK$1.64 million).

(b) On 29 March 2016, the Group entered into a guarantee agreement with Chengtong Coal, a subsidiary of the ultimate holding company of the Company, pursuant to which the Group provided a guarantee by pledging its office premise with net book value of approximately HK$50,160,000 as at 30 June 2017 and issuing a guarantee letter to the Supreme People's Court of Guangxi Zhuang Autonomous Region to the extent of approximately RMB53,540,000 (approximately HK$61,571,000) for a period of three years or such shorter period as may be approved by the court. The guarantee provided to Chengtong Coal was for the purpose of supporting a property preservation order on certain subject assets in a litigation between Chengtong Coal and its debtors.

IX. COMMITMENTS AND CONTINGENT LIABILITIES

Please refer to notes 15 and 16 to financial statements in this announcement.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2017, the Group employed a total of 335 employees (as at 31 December 2016: 331), of which 13 (as at 31 December 2016: 14) were based in Hong Kong and 322 (as at 31 December 2016: 317) were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend so as to maintain its competitiveness. Apart from basic salary, discretionary bonus and other incentives are offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors of the Company are decided by the remuneration committee of the Company, having regard to the Company's corporate goals, the individual performance of the Directors and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to Directors and eligible employees to subscribe for shares of the Company. The Company has also adopted a share award scheme, under which shares of the Company will be awarded, with the approval of the Board, to selected employees to recognise their contribution and to give them incentives thereto in order to retain them for the continual operation and development of the Group, as well as to attract suitable personnel for the growth and further development of the Group. The first share award scheme of the Company was adopted on 25 April 2012 and expired on 24 April 2017 in accordance with its terms. A new share award scheme has been adopted by the Company which has become effective on 1 July 2017 for a term of five years.

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2017 (2016: nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct ("**Code of Conduct**") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Code of Conduct and the Model Code during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to healthy and sustainable development of the Group. In the opinion of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2017.

REVIEW OF ACCOUNTS

The Board is of the view that the disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The audit committee of the Company has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2017, which has also been reviewed by the Company's auditor, BDO Limited, 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the HKEX at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/chengtong. The 2017 interim report of the Company will be available on both websites and dispatched to shareholders of the Company in due course.

By order of the Board
China Chengtong Development Group Limited
Zhang Bin
Managing Director

Hong Kong, 10 August 2017

As at the date of this announcement, the executive Directors are Mr. Yuan Shaoli, Mr. Zhang Bin and Mr. Wang Tianlin; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.