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 2018

FINANCIAL HIGHLIGHTS

— Turnover for the six months ended 30 June 2018 amounted to approximately HK$663.39 million, representing an increase of approximately 0.2% as compared with that of the same period last year.

— Profit after tax amounted to approximately HK$14.76 million, representing an increase of approximately 169% as compared with that of the same period last year.

— Gross profit margin for core business was approximately 10%, nearly the same as that of the same period last year.

— Earnings per share was approximately HK0.25 cent, representing an increase of approximately HK0.15 cent as compared with that of the same period last year.

— As at 30 June 2018, the cash (including pledged bank deposits, deposits in other financial institution, bank balances and cash) held by the Group amounted to approximately HK$561.67 million.

— As at 30 June 2018, the debt to equity ratio (expressed as interest-bearing bank borrowings divided by total equity) was approximately 7%, nearly the same as that as at 31 December 2017.

— The Board has resolved not to declare any interim dividend.

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 2018 together with the comparative figures for the six months ended 30 June 2017.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**663,385**	662,082
Cost of sales		**(599,719)**	(596,175)
Gross profit		**63,666**	65,907
Other income	4	**23,479**	25,515
Selling expenses		**(7,890)**	(7,880)
Administrative expenses		**(49,022)**	(50,258)
Fair value gain/(loss) on investment properties		**504**	(218)
Fair value gain on other financial assets measured at profit or loss		**1,335**	—
Fair value loss on held-for-trading securities		**—**	(81)
Finance costs	5	**(2,514)**	(14,372)
Profit before income tax	7	**29,558**	18,613
Income tax expense	6	**(14,795)**	(13,119)
Profit for the period		**14,763**	5,494
Profit for the period attributable to:			
Owners of the Company		**14,265**	6,077
Non-controlling interests		**498**	(583)
		14,763	5,494
Earnings per share for profit attributable to owners of the Company during the period	9	***HK cent***	*HK cent*
Basic and diluted		**0.25**	0.10

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**14,763**	5,494
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income	**15,240**	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**(22,369)**	64,586
Net change in fair value of debts investments at fair value through other comprehensive income	**3,551**	—
Net change in fair value of available-for-sale financial assets	**—**	(27,396)
Total comprehensive income for the period	**11,185**	42,684
Total comprehensive income attributable to:		
Owners of the Company	**11,332**	39,565
Non-controlling interests	**(147)**	3,119
	11,185	42,684

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**Unaudited At 30 June 2018** *HK$'000*	Audited At 31 December 2017 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**192,831**	202,715
Prepaid land lease payments		**192,333**	196,781
Investment properties		**63,772**	63,816
Deposits paid		**24,142**	4,966
Loans receivable	10	**220,886**	383,902
Other financial assets	12	**5,203**	—
Available-for-sale financial assets	12	**—**	5,246
		699,167	857,426
Current assets			
Properties held for sale		**226,900**	251,688
Properties under development		**116,481**	109,824
Properties held for development		**293,728**	296,196
Inventories		**28,752**	4,281
Trade and other receivables	11	**138,939**	129,040
Loans receivable	10	**346,060**	358,359
Amount due from a non-controlling shareholder of a subsidiary		**—**	18,000
Prepaid land lease payments		**5,617**	5,665
Other financial assets	12	**1,188,881**	—
Available-for-sale financial assets	12	**—**	700,231
Held-for-trading securities	12	**—**	1,173
Taxation recoverable		**2,437**	3,004
Pledged bank deposits		**3,989**	4,006
Deposits in other financial institution		**44,763**	86,200
Bank balances and cash		**512,915**	749,708
		2,909,462	2,717,375

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**Unaudited At 30 June 2018** *HK$'000*	Audited At 31 December 2017 *HK$'000*
Current liabilities			
Trade and other payables	13	**97,833**	156,869
Contract liabilities		**205,122**	—
Deposits received from sale of properties		**—**	128,921
Taxation payable		**3,630**	5,929
Bank borrowings	14	**220,254**	214,400
Unsecured other loan		**600**	600
		527,439	506,719
Net current assets		**2,382,023**	2,210,656
Total assets less current liabilities		**3,081,190**	3,068,082
Non-current liabilities			
Deferred tax liabilities		**82,498**	81,635
Net assets		**2,998,692**	2,986,447
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,185,876**	2,185,876
Reserves		**665,130**	652,738
		2,851,006	2,838,614
Non-controlling interests		**147,686**	147,833
Total equity		**2,998,692**	2,986,447

NOTES

For the six months ended 30 June 2018

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, property development, property investment, finance leasing, bulk commodity trade 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**").

The interim financial information is presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated.

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 Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The interim financial information has been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for the change in accounting policies due to the adoption of Hong Kong Financial Reporting Standard ("**HKFRS**") 9 and HKFRS 15 as described in notes 2.1 and 2.2 below respectively. There are no other new standards and amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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 2017.

The financial information relating to the year ended 31 December 2017 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 2017 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. CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 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 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 had no significant impact on the interim financial information.

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 2018 and the Group has not early adopted the rules.

2.1 Adoption of HKFRS 9

The adoption of HKFRS 9 resulted in changes in accounting policies and adjustments to the amount recognised in the interim financial information. As permitted by the transitional provisions of HKFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated profits and reserves of the period under review.

The changes in the accounting policies and the effects of the resulting changes are summarised below:

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

At initial recognition, for financial assets not at FVPL, the Group measures them at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. For financial assets measured at FVPL, transaction costs are expensed in profit or loss.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 Adoption of HKFRS 9 *(Continued)*

(i) Classification and measurement of financial assets and financial liabilities *(Continued)*

Non-equity investments held by the Group are classified into one of the following measurement categories:

(1) At amortised cost only if both the following conditions are met:

— it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the collection of contractual cash flows which represent solely payments of principal and interest.

Interest income from the investment is calculated using the effective interest method.

(2) FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale.

Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

(3) FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling).

Changes in the fair value of the investment, including interest income, are recognised in profit or loss.

Equity investment is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVOCI reserve (non-recycling) is transferred to accumulated profits. It is not recycled through profit or loss. Dividends from an equity investment, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss.

There is no change in the classification and measurement of the Group's financial liabilities and the financial liabilities continue to be measured at amortised cost at the date of transition.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 Adoption of HKFRS 9 *(Continued)*

(i) Classification and measurement of financial assets and financial liabilities (Continued)

The following tables summarised the impact of transition to HKFRS 9 on the opening balances of accumulated profits and reserves as of 1 January 2018:

	Notes	***HK$'000***
Accumulated profits		
Accumulated profits as at 31 December 2017		**650,060**
Transfer from available-for-sale financial assets revaluation reserve relating to financial assets now measured at FVPL	2.1(i)(d)	**192**
Remeasurement of financial assets now measured at FVPL	2.1(i)(e)	**1,310**
Recognition of additional expected credit losses on:		
— trade and other receivables	2.1(ii)	**(17)**
— loans receivable	2.1(ii)	**(233)**
Restated accumulated profits as at 1 January 2018		**651,312**
Available-for-sale financial assets revaluation reserve		
Reserve as at 31 December 2017		**(34,585)**
Transfer to financial assets at FVOCI reserve	2.1(i)(a) and (b)	**34,777**
Transfer to accumulated profits for financial assets now measured at FVPL	2.1(i)(d)	**(192)**
Restated reserve as at 1 January 2018		**—**
Financial assets at FVOCI reserve		
Reserve as at 31 December 2017		**—**
Transfer from available-for-sale financial assets revaluation reserve	2.1(i)(a) and (b)	**(34,777)**
Restated reserve as at 1 January 2018		**(34,777)**

The following table shows the original classification for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets measured in accordance with HKAS 39 to those measured in accordance with HKFRS 9.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 Adoption of HKFRS 9 *(Continued)*

(i) Classification and measurement of financial assets and financial liabilities (Continued)

	Notes	HKAS 39 carrying amount at 31 December 2017 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	HKFRS 9 carrying amount at 1 January 2018 HK$'000
Financial assets at amortised cost					
Trade and other receivables	2.1(ii)	129,040	—	(17)	129,023
Loans receivable	2.1(ii)	742,261	—	(233)	742,028
Amount due from a non-controlling shareholder of a subsidiary		18,000	—	—	18,000
Pledged bank deposits		4,006	—	—	4,006
Deposits in other financial institution		86,200	—	—	86,200
Bank balances and cash		749,708	—	—	749,708
		1,729,215	—	(250)	1,728,965
Financial assets measured at FVOCI (non-recycling)					
Other financial assets					
— Equity investments	(a)	—	175,426	—	175,426
Financial assets measured at FVOCI (recycling)					
Other financial assets					
— Debt investments	(b)	—	167,180	—	167,180
Financial assets measured at FVPL					
Other financial assets					
— Shares listed in Hong Kong	(c)	—	1,173	—	1,173
— Fund investments	(d)	—	41,271	—	41,271
— Unlisted investments	(e)	—	321,600	1,310	322,910
		—	364,044	1,310	365,354
Financial assets designated as at FVPL under HKAS 39					
Held for trading securities		1,173	(1,173)	—	—
Financial assets classified as available-for-sale under HKAS 39		705,477	(705,477)	—	—

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 Adoption of HKFRS 9 *(Continued)*

(i) Classification and measurement of financial assets and financial liabilities (Continued)

Notes:

(a) The Group elected to present in other comprehensive income the subsequent changes in fair value of all its equity investments previously classified as available-for-sale financial assets because these investments are held for strategic purposes. As a result, the financial assets were reclassified from available-for-sale financial assets with original carrying amount of HK$175,426,000 to financial assets measured at FVOCI. Cumulative fair value loss of approximately HK$9,167,000 was reclassified from the available-for-sale financial assets revaluation reserve to the financial assets at FVOCI reserve (non-recycling) on 1 January 2018.

(b) Under HKAS 39, listed debt investments with fair value of HK$167,180,000 were classified as available-for-sale financial assets. They are reclassified to financial assets measured at FVOCI under HKFRS 9 as these financial assets are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt investments in open market, and the contractual terms give rise to cash flows in specific dates that are solely payments of principal and interest on the principal outstanding. Cumulative fair value loss of approximately HK$25,610,000 was reclassified from the available-for-sale financial assets revaluation reserve to financial assets at FVOCI reserve (recycling) on 1 January 2018.

(c) The Group reclassified the financial assets designated as at FVPL to financial assets measured at FVPL and there is no change in their measurement on 1 January 2018.

(d) Unlisted fund investments classified as available-for-sale financial assets of HK$41,271,000 measured at fair value at 31 December 2017. These investments were not held solely for payments of principal and interest on the principal amount outstanding. Accordingly, these unlisted fund investments were measured at FVPL upon the application of HKFRS 9. Available-for-sale financial assets revaluation reserve related to these investments of HK$192,000 were transferred to accumulated profits on 1 January 2018.

(e) Unlisted investments of HK$321,600,000 were classified as available-for-sale financial assets and stated at cost at 31 December 2017. These investments were not held solely for payments of principal and interest on the principal amount outstanding. Accordingly, these unlisted investments were measured at FVPL upon the application of HKFRS 9 and additional fair value gain of HK$1,310,000 was recognised in accumulated profits upon remeasurement on 1 January 2018.

(ii) Impairment

The impairment methodology of financial assets has been changed from the incurred loss model under HKAS 39 to the expected credit loss model under HKFRS 9. Under the new expected credit loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses ("**ECL**"), which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 Adoption of HKFRS 9 *(Continued)*

(ii) Impairment *(Continued)*

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost; and

— debt investments measured at FVOCI (recycling).

Under HKFRS 9, the loss allowance is measured on either of the following bases: (1) 12 months ECL: these are the ECL that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 and has calculated ECL based on lifetime ECL.

For other financial assets measured at amortised cost and debt investments measured at FVOCI (recycling), the ECL are based on the 12 months ECL. The 12 months ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 ECL model at 1 January 2018:

	HK$'000
Loss allowance as at 31 December 2017 under HKAS 39	**—**
Additional expected credit loss recognised at 1 January 2018 on:	
Trade and other receivables	**17**
Loans receivable	**233**
Loss allowance as at 1 January 2018 under HKFRS 9	**250**

2.2 Adoption of HKFRS 15

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;

— creates and enhances an asset that the customer controls as the Group performs; or

— do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 Adoption of HKFRS 15 *(Continued)*

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

— direct measurements of the value transferred by the Group to the customer; or

— the Group's efforts or inputs to the satisfaction of the performance obligation.

Incremental costs incurred directly attributable to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening accumulated profits at 1 January 2018. Therefore, comparative information would not be restated and continues to be reported under HKAS 11 and HKAS 18. As allowed under HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's interim financial information. The management of the Company considered that HKFRS 15 did not result in significant impact on the Group's accounting policies. However, reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15 as follow:

— Deposits and instalments received on properties sold prior to the date of revenue recognition that were previously presented as deposits received from sale of properties have been reclassified as contract liabilities.

— Advances received that were previously included in trade and other payables have been reclassified as contract liabilities.

3 TURNOVER AND SEGMENT INFORMATION

The information reported to the executive directors of the Company, being the chief operating decision makers for the purpose of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. During the six months ended 30 June 2018, the Group has reorganised its internal reporting structure by allocating certain income and expenses which previously included in bulk commodity trade segment to unallocated corporate income and expenses. Accordingly, the comparative segment information has been re-presented to conform to period under review's presentation. The Group's chief operating decision makers have identified the reportable segments of the Group as follows:

(1) Property development — holding land for property development projects

(2) Property investment — providing rental services and holding investment properties for appreciation

(3) Finance leasing — providing finance leasing services including arranging sales and leaseback transactions

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

(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:

	Unaudited For the six months ended 30 June 2018					
	Property development *HK$'000*	**Property investment** *HK$'000*	**Finance leasing** *HK$'000*	**Bulk commodity trade** *HK$'000*	**Hotel and marine travelling services** *HK$'000*	**Total** *HK$'000*
Turnover						
Segment revenue						
— external sales and income	**35,110**	**1,382**	**23,637**	**578,417**	**24,839**	**663,385**
Results						
Segment results *(Note (a))*	**8,485**	**1,218**	**18,336**	**9,327**	**(832)**	**36,534**
Fair value gain on other financial assets measured at profit or loss						**1,335**
Fair value gain on investment properties *(Note (b))*						**504**
Unallocated finance costs						**(2,236)**
Unallocated corporate expenses						**(26,727)**
Unallocated corporate income						**20,148**
Profit before income tax						**29,558**

Notes:

	Property development *HK$'000*	**Property investment** *HK$'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							
Investment income from deposits and other financial assets	**1,432**	**—**	**755**	**99**	**256**	**19,661**	**22,203**
Depreciation	**(44)**	**—**	**(74)**	**(15)**	**(5,536)**	**(2,199)**	**(7,868)**
Finance costs	**—**	**—**	**(241)**	**(37)**	**—**	**(2,236)**	**(2,514)**
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value gain on investment properties	**—**	**504**	**—**	**—**	**—**	**—**	**504**

3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	Unaudited					
	For the six months ended 30 June 2017					
	Property development *HK$'000*	Property investment *HK$'000*	Finance leasing *HK$'000*	Bulk commodity trade *HK$'000* (Re-presented)	Hotel and marine travelling services *HK$'000*	Total *HK$'000*
Turnover						
Segment revenue						
— external sales and income	50,467	1,101	25,951	558,419	26,144	662,082
Results						
Segment results *(Note (a))*	10,714	1,062	19,454	5,010	1,832	38,072
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						(29,141)
Unallocated corporate income						22,434
Profit before income tax						18,613

3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Notes:

	Property development *HK$'000*	Property investment *HK$'000*	Finance leasing *HK$'000*	Bulk commodity trade *HK$'000* (Re-presented)	Hotel and marine travelling services *HK$'000*	Unallocated *HK$'000* (Re-presented)	Total *HK$'000*
(a) Amounts included in measurement of segment results							
Investment income from deposits, short-term investments and available-for-sale financial assets	277	—	462	175	660	21,557	23,131
Depreciation	(38)	—	(61)	(8)	(4,720)	(1,979)	(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)

For the six months ended 30 June 2018, unallocated corporate income mainly comprised investment income from deposits and other financial assets (for the six months ended 30 June 2017: investment income from deposits, short-term investments and available-for-sale financial assets and interest income from a related party) which are not directly attributable to the business activities of any operating segment.

For the six month ended 30 June 2018 and 2017, unallocated corporate expenses mainly comprised staff costs and legal and professional expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Segment results do not include income tax expenses, while segment assets include the tax recoverable except those recognised by the head office and the inactive subsidiaries.

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 2018 ***HK$'000***	Audited At 31 December 2017 *HK$'000*
Segment assets		
Property development	**771,924**	802,344
Property investment*	**63,772**	63,816
Finance leasing	**829,864**	825,502
Bulk commodity trade	**156,822**	142,818
Hotel and marine travelling services	**189,929**	253,779
Total segment assets	**2,012,311**	2,088,259
Unallocated		
— Prepaid land lease payments	**154,517**	157,589
— Other financial assets	**1,146,484**	—
— Available-for-sale financial assets	**—**	645,477
— Deposits in other financial institution	**39,584**	78,566
— Bank balances and cash	**149,545**	505,126
— Other unallocated assets *(note)*	**106,188**	99,784
Total assets	**3,608,629**	3,574,801

* Segment assets of property investment segment include investment properties but segment results excluded the related fair value gain of HK$504,000 (for the six months ended 30 June 2017: fair value loss of HK$218,000) for the period.

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

Set out below is the disaggregation of the Group's revenue for major services or products lines:

	Unaudited Six months ended 30 June	
	2018 ***HK$'000***	2017 *HK$'000*
Rental income	**1,382**	1,101
Sales of properties	**35,110**	50,467
Interest income	**23,637**	21,687
Consultancy service income from finance lease arrangements	**—**	4,264
Bulk commodity trade	**578,417**	558,419
Hotel and marine travelling services	**24,839**	26,144
	663,385	662,082

4 OTHER INCOME

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Investment income from:		
— deposits, short-term investments and other financial assets/available-for-sale financial assets	**22,203**	23,131
— entrusted loan receivables	**—**	314
— a non-controlling shareholder of a subsidiary	**202**	479
— a related party	**—**	340
	22,405	24,264
Gain on disposal of property, plant and equipment	**—**	111
Others	**1,074**	1,140
	23,479	25,515

5 FINANCE COSTS

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Interest on corporate bonds	**—**	14,333
Interest on bank borrowings	**3,337**	2,828
	3,337	17,161
Less: Amounts capitalised on properties under development	**(823)**	(2,789)
	2,514	14,372

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 People's Republic of China (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 2018 HK$'000	2017 HK$'000
Income tax expense comprises:		
Current tax	**13,200**	11,927
Over-provision in prior years	**—**	(187)
Deferred taxation	**1,595**	1,379
Total income tax expense for the period	**14,795**	13,119

7 PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit before income tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (net of amount capitalised on properties under development)	**7,868**	6,806
Amortisation of prepaid land lease payments	**2,903**	2,667
Loss/(gain) on disposal of property, plant and equipment	**345**	(111)
Written off of property, plant and equipment	**313**	—
Net reversal of impairment charge on financial assets	**(94)**	—
Exchange (gain)/loss, net	**(161)**	1,491
Expenses capitalised on properties under development:		
Depreciation	**7**	51
Finance costs	**823**	2,789
Staff costs	**1,387**	1,137

8 DIVIDENDS

The directors of the Company did not declare any interim dividend for the six months ended 30 June 2018 and 2017 and the Company did not recommend the payment of a dividend for the year ended 31 December 2017.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings for the period attributable to owners of the Company of HK$14,265,000 (for the six months ended 30 June 2017: HK$6,077,000) and on the weighted average number of 5,796,985,000 (for the six months ended 30 June 2017: 5,796,985,000) ordinary shares in issue during the period excluding ordinary shares purchased by the Company for share award scheme.

There were 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 2018, the Group had nine (31 December 2017: 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 2017: 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 in previous years and continues to be accounted for as financial assets at amortised cost in accordance with HKFRS 9 Financial Instruments in current period.

10 LOANS RECEIVABLE *(Continued)*

	Unaudited At 30 June 2018	Audited At 31 December 2017
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	**346,060**	358,359
Non-current assets	**220,886**	383,902
	566,946	742,261

As at 30 June 2018, effective interest rates ranged from approximately 6.50% to 8.20% (31 December 2017: 6.50% to 8.20%) per annum.

As at 30 June 2018 and 31 December 2017, no loans receivable had been past due. 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 2018, loss allowance of HK$129,000 (31 December 2017: nil) was made against the gross amount of loans receivable.

As at 30 June 2018 and 31 December 2017, the fair value of loans receivable approximated to its carrying amount.

11 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2018	Audited At 31 December 2017
	HK$'000	*HK$'000*
Trade and bills receivables *(note a)*	**57,108**	20,659
Prepayments to suppliers	**51,203**	71,493
Other prepayments and deposits	**7,253**	7,147
Other receivables *(note b)*	**23,375**	29,741
	138,939	129,040

11 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Details of the trade and bills receivables are as follows:

	Unaudited At 30 June 2018 ***HK$'000***	Audited At 31 December 2017 *HK$'000*
Trade and bills receivables	**57,112**	20,659
Less: allowance for impairment	**(4)**	—
Trade and bills receivables — net	**57,108**	20,659

As at 30 June 2018 and 31 December 2017, trade receivables mainly arose from bulk commodity trade. There is 0 day to 45 days (for the year ended 31 December 2017: 0 day to 45 days) credit period granted to certain customers of bulk commodity trade business for the six months ended 30 June 2018.

Bills receivable were due within 1 year (31 December 2017: 1 year) from the date of issuance.

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

As at 30 June 2018, loss allowance of HK$4,000 (31 December 2017: nil) were made against the gross amount of trade and bills receivables.

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

	Unaudited At 30 June 2018 ***HK$'000***	Audited At 31 December 2017 *HK$'000*
Within 90 days	**49,258**	16,999
91–180 days	**7,854**	3,660
	57,112	20,659

(b) As at 30 June 2018, loss allowance of HK$23,000 (31 December 2017: nil) were made against the gross amount of other receivables.

12 OTHER FINANCIAL ASSETS/AVAILABLE-FOR-SALE FINANCIAL ASSETS/HELD-FOR-TRADING SECURITIES

	Unaudited At 30 June 2018 ***HK$'000***	Unaudited At 1 January 2018 *HK$'000*	Audited At 31 December 2017 *HK$'000*
Non-current:			
Financial assets measured at FVOCI (non-recycling)			
— Equity investments	**5,203**	5,246	—
Available-for-sale financial assets			
— Unlisted equity investments, at cost	**—**	—	5,246
Current:			
Financial assets measured at FVOCI (non-recycling)			
Equity investments			
— Shares listed in Hong Kong	**185,420**	170,180	—
Financial assets measured at FVOCI (recycling)			
Debt investments			
— Term note with interest of 8.125% per annum, dual-listed in Singapore and Ireland	**170,731**	167,180	—
Financial assets measured at FVPL			
— Shares listed in Hong Kong	**1,334**	1,173	—
— Unlisted investments	**361,382**	322,910	—
— Fund investments	**41,614**	41,271	—
Financial assets at amortised cost			
— Unlisted investments with interest ranging from 4.0% to 4.5% per annum	**142,800**	—	—
— Structured bank deposits with interest ranging from 4.5% to 4.85% per annum	**285,600**	—	—
Held-for-trading securities	**—**	—	1,173
Available-for-sale financial assets			
Listed debt investments, at fair value:			
— Term note with interest of 8.125% per annum, dual-listed in Singapore and Ireland	**—**	—	167,180
Listed equity investments, at fair value:			
— Shares listed in Hong Kong	**—**	—	170,180
Fund investments, at fair value	**—**	—	41,271
Unlisted investments, at cost			
— Investment with interest ranging from 3.3% to 7.7% per annum	**—**	—	321,600
	1,188,881	702,714	701,404

13 TRADE AND OTHER PAYABLES

	Unaudited At 30 June 2018 ***HK$'000***	Audited At 31 December 2017 *HK$'000*
Trade payables *(note)*	**15,784**	14,941
Other payables and accruals	**38,689**	40,547
Advances received	**—**	55,867
Accrual of construction costs	**43,360**	45,514
	97,833	156,869

Note:

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 2018 ***HK$'000***	Audited At 31 December 2017 *HK$'000*
Within 1 year	**12,324**	11,500
Over 1 year but less than 2 years	**76**	67
Over 2 years	**3,384**	3,374
	15,784	14,941

14 BANK BORROWINGS

	Unaudited At 30 June 2018 ***HK$'000***	Audited At 31 December 2017 *HK$'000*
Short-term bank borrowings		
Unsecured	**214,280**	214,400
Secured	**5,974**	—
	220,254	214,400

The short-term bank loans were repayable within one year from the end of the reporting period. The effective interest rates of the short-term bank loans ranged from 3.06% to 5.22% per annum at 30 June 2018 (31 December 2017: 2.62% to 5.22% per annum).

As at 30 June 2018, the Group's secured bank borrowings are secured by charges over certain bills receivables of the Group with an aggregate carrying value of HK$7,140,000 (31 December 2017: nil).

15 CAPITAL COMMITMENTS

	Unaudited At 30 June 2018 *HK$'000*	Audited At 31 December 2017 *HK$'000*
Contracted but not provided for		
Purchase of property, plant and equipment	**23,295**	4,472

16 CONTINGENT LIABILITIES

(a) As at 30 June 2018, the Group had contingent liabilities in relation to guarantees of approximately HK$214,749,000 (31 December 2017: HK$124,639,000) 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 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 office premises with net book value of approximately HK$48,873,000 as at 30 June 2018 (31 December 2017: HK$50,812,000) and issuing a guarantee letter to Supreme People's Court of Guangxi Zhuang Autonomous Region to the extent of RMB53,540,000 (approximately HK$63,713,000) 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 an 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. RESULTS AND DIVIDEND

For the six months ended 30 June 2018, the revenue of the Group was mainly derived from the five business segments within the territory of the PRC, including property development, property investment, finance leasing, bulk commodity trade and hotel and marine travelling services.

During the period under review, the consolidated turnover of the Group increased by approximately 0.2% to approximately HK$663.39 million (the corresponding period of last year: approximately HK$662.08 million). The consolidated profit after tax was approximately HK$14.76 million (the corresponding period of last year: approximately HK$5.49 million), representing a year-on-year increase of approximately 169%. As the Company fully redeemed the RMB600 million bonds issued by it in May last year, no interest expense in respect of the RMB-denominated bonds issued by the Company were recorded during the period under review, which resulted in a significant decrease in finance costs by approximately 83% to approximately HK$2.51 million (the corresponding period of last year: approximately HK$14.37 million) and thus the increase in profit. The profit attributable to owners of the Company for the period amounted to approximately HK$14.27 million (the corresponding period of last year: approximately HK$6.08 million), representing a year-on-year increase of approximately 135%.

The Board did not recommend the declaration of any interim dividend for the six months ended 30 June 2018 (the corresponding period of last year: nil).

II. BUSINESS REVIEW

Segment Revenue and Results

(1) Property Development

During the period under review, the sales revenue from property development of the Group was generated from two projects in the third and fourth-tier cities, namely CCT-Champs-Elysees in Zhucheng City of Shandong Province of the PRC and Chengtong International City in Dafeng City of Jiangsu Province of the PRC. The two aforementioned projects altogether brought a turnover for the property development segment of approximately HK$35.11 million (the corresponding period of last year: approximately HK$50.47 million), representing a year-on-year decrease of approximately 30%, and the segment profit before tax decreased to approximately HK$8.49 million, representing a decrease of approximately 21% as compared to that for the corresponding period of last year (the corresponding period of last year: approximately HK$10.71 million). Details of the two aforementioned 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 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. The project is located in a county level city, which is a third and fourth-tier city in the PRC. Despite the limited number of newly established real estate projects in Zhucheng City, certain projects were relatively large in scale and they were launched for sale in the first half of this year, making competition particularly fierce. In addition, the central government began to tighten the policy of "Shantytowns Transformation Monetization Settlement" (棚改貨幣化安置) in the first half of this year, dragging down the demand for new flats in Zhucheng City which led to a decline in the Group's sales revenue during the period. During the period under review, the area of residential apartments that were sold under the project was approximately 4,944 square metres (the corresponding period of last year: approximately 8,075 square metres), representing a year-on-year decrease of approximately 39%. There was no record of any sold areas of commercial properties (the corresponding period of last year: 242 square metres) or parking spaces (the corresponding period of last year: 14) during the period. The average unit selling price per square metre for residential apartments under the project was approximately RMB5,609, representing an increase of approximately 8% as compared to approximately RMB5,180 per square metre for the corresponding period of last year. Mainly because of the decrease of areas sold as compared to the corresponding period of last year, the sales revenue of the project was approximately HK$34.71 million (the corresponding period of last year: approximately HK$50.47 million), representing a year-on-year decrease of approximately 31%. The profit before tax amounted to approximately HK$9.84 million (the corresponding period of last year: approximately HK$11.57 million), representing a year-on-year decrease of approximately 15%.

As at 30 June 2018, the unsold areas of phase I, phase II and phase III of CCT-Champs-Elysees project included residential area of approximately 32,976 square metres (as at 31 December 2017: approximately 37,920 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2017: approximately 1,410 square metres) (excluding the leased area of approximately 7,565 square metres (as at 31 December 2017: approximately 7,565 square metres)).

Construction works of phase III of CCT-Champs-Elysees project have commenced, parts of which were sold, while the remaining parts are expected to be completed and delivered in 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. Dafeng City is a third and fourth-tier city in the territory of the PRC. Given that the project was situated far from major cities and due to the continued downturn of the real estate market in the region, the residential area that was sold of the project was approximately 92 square metres during the period (the corresponding period of last year: nil). The sales revenue of the project was approximately HK$0.4 million (the corresponding period of last year: nil). The loss before tax amounted to approximately HK$1.35 million (loss of the corresponding period last year: approximately HK$0.86 million), representing a year-on-year increase in loss of approximately 57%.

As at 30 June 2018, the unsold residential areas of Chengtong International City project was approximately 10,930 square metres (as at 31 December 2017: approximately 11,022 square metres) and the unsold area of commercial space was approximately 9,540 square metres (as at 31 December 2017: approximately 9,540 square metres).

Land Resources Development

The Group still planned to dispose of the land situated in Dafeng City, Jiangsu Province, the PRC. 誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited) ("**Dafeng Development**"), 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). Details of the relevant agreements related to the resumption of land were set out in the Company's announcement dated 3 July 2014. However, the relevant land has not been resumed as of 30 June 2018 and the date of this announcement.

(2) Property Investment

The rental income from property investment of the Group was generated from the commercial properties of CCT-Champs-Elysees project in Zhucheng City, Shandong Province, the PRC. As at 30 June 2018, the leased area of the project was approximately 7,565 square metres, which was the same as that on the same date of last year. Due to the increase in rent for newly signed tenancy agreements during the period under review, the rental income amounted to approximately HK$1.38 million, representing an increase of approximately 25% as compared with the rental income of approximately HK$1.10 million for the corresponding period of last year. The profit before tax was approximately HK$1.22 million (the corresponding period of last year: approximately HK$1.06 million), representing a year-on-year increase of approximately 15%.

(3) Finance Leasing

During the period under review, the turnover from the finance leasing business amounted to approximately HK$23.64 million (the corresponding period of last year: approximately HK$25.95 million), representing a year-on-year decrease of approximately 9%. The profit before tax was approximately HK$18.34 million (the corresponding period of last year: approximately HK$19.45 million), representing a year-on-year decrease of approximately 6%. The decrease in profit was mainly attributable to (i) the decrease in turnover by approximately 9% from that for the corresponding period of last year, as no financing consultancy service was provided during the period under review, while relevant income was recorded in the corresponding period of last year; and (ii) the increase in administrative expenses by approximately 8% as compared to that for the corresponding period of last year to approximately HK$5.81 million, which was mainly attributable to the increase in staff costs. However, during the period, the increase in interest income by approximately 63% from that for the corresponding period of last year to approximately HK$0.75 million (the corresponding period of last year: approximately HK$0.46 million), and the decrease in finance costs by approximately 85% from that for the corresponding period of last year to approximately HK$0.24 million (the corresponding period of last year: approximately HK$1.59 million) partially offset the aforesaid negative impact on the profit.

(4) Bulk Commodity Trade

During the period under review, turnover from bulk commodity trade business segment was approximately HK$578.42 million (the corresponding period of last year: approximately HK$558.42 million), representing a year-on-year increase of approximately 4%. Segment profit before tax was approximately HK$9.33 million (the corresponding period of last year: approximately HK$5.01 million), representing a significant year-on-year increase of approximately 86%. The details of the trading of coal and steel under bulk commodity trade operated by the Group are as follows:

(i) Trading of Coal

In the first half of 2018, the results of "Supply-Side Structural Reform" promoted in the PRC were prominent and the elimination of excess production capacity continued in the coal industry. With a barely balanced supply and demand in the national coal market, the price remained high and fluctuated according to the supply and demand relationship and seasonality. In June 2018, the United States of America imposed import duties on coal originated from the PRC. Since the Group operated its coal trading business in the PRC and was not engaged in export trade, the trade conflict between the PRC and the United States of America had minimal impact on the coal trading business of the Group. During the period under review, the sales volume of coal trading of the Group amounted to approximately 520,000 tons (the corresponding period of last year: approximately 480,000 tons), representing a year-on-year increase of approximately 8%. Turnover was approximately HK$430.49 million (the corresponding period of last year: approximately HK$315.95 million), representing a year-on-year growth of approximately 36%. The average unit selling price increased by approximately 7% from approximately RMB580 per ton in the corresponding period of last year to approximately RMB623 per ton during the period under review, resulting in the increase in gross profit margin by approximately 0.5% to approximately 1.6% from that for the corresponding period of last year. With the increase in sales volume, a gross profit of approximately HK$6.96 million was recorded, representing a significant increase of approximately 104% as compared with that for the corresponding period of last year (the corresponding period of last year: approximately HK$3.41 million). The profit before tax was approximately HK$4.93 million (the corresponding period of last year: approximately HK$1.50 million), representing a significant year-on-year increase of approximately 229%.

(ii) Steel and Non-ferrous Metal Trade

In the first half of 2018, under the progress of the "Supply-Side Structural Reform" and favourable operation environment for the industry, the operational conditions of steel industry in the PRC improved steadily. Moreover, the gradual decrease of steel inventories had resulted in a steady increase in the market price. The United States of America decided to raise the tariff of steel import by 25% with effect from 23 March 2018. Since the Group operated its steel trading business in the PRC and was not engaged in export trade, the trade conflict between the PRC and the United States of America had minimal impact on the steel trading business of the Group. During the period under review, under the influence of the stagnated demand for steel in the PRC in June and the suspension of the trading of non-ferrous metals by the Group, the sales volume of steel dropped by approximately 51% from approximately 72,733 tons for the corresponding period of last year to approximately 35,337 tons. The turnover was approximately HK$147.93 million (the corresponding period of last year: approximately HK$242.47 million), representing a year-on-year decrease of approximately 39%. The average unit selling price of steel was approximately RMB3,404 per ton (the corresponding period of last year: approximately RMB2,783 per ton), representing a year-on-year increase of approximately 22%, which resulted in a year-on-year increase in gross profit margin by approximately 1.2% to approximately 3.2%. Due to the decrease in turnover, gross profit amounted to approximately HK$4.77 million (the corresponding period of last year: approximately HK$4.97 million), representing a decrease of approximately 4% as compared with that for the corresponding period of last year. As selling expenses decreased significantly by approximately HK$1.09 million from that for the corresponding period of last year to approximately HK$0.37 million, profit before tax amounted to approximately HK$4.40 million (the corresponding period of last year: approximately HK$3.51 million), representing a year-on-year increase of approximately 25%.

(5) Hotel and Marine Travelling Services

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

(i) Marine Travelling Business

During the period under review, the turnover of the marine travelling business was approximately HK$23.12 million (the corresponding period of last year: approximately HK$22.44 million), representing a year-on-year increase of approximately 3%. Gross profit margin was approximately 61% (the corresponding period of last year: approximately 63%), representing a year-on-year decrease of approximately 2%. Due to the decrease in gross profit margin, gross profit decreased by approximately 1% from approximately HK$14.14 million for the corresponding period of last year to approximately HK$14 million. In addition, selling and administrative expenses increased by approximately 21% from that for the corresponding period of last year to approximately HK$10.52 million. The increase in the selling and administrative expenses was mainly attributable to the increase in staff costs and maintenance fees of equipment. Profit before tax amounted to approximately HK$3.58 million (the corresponding period of last year: approximately HK$5.29 million), representing a year-on-year decrease of approximately 32%.

(ii) Hotel Business

The turnover of the hotel business was approximately HK$1.61 million (the corresponding period of last year: approximately HK$2.72 million), representing a year-on-year decrease of approximately 41%, which was mainly attributable to the aging of the hotel equipment which led to the decrease in hotel guests, as well as the temporary suspension and renovation of hotel rooms since March 2018. With the decrease in turnover, gross profit decreased by approximately 39% from approximately HK$2.23 million for the corresponding period of last year to approximately HK$1.35 million. Moreover, renovation of hotel rooms was carried out during the period under review, which generated a loss on disposal and write-off of equipment of approximately HK$0.66 million. However, since the hotel accommodation business had suspended since March 2018, selling and administrative expenses decreased as compared with that for the corresponding period of last year. Loss before tax amounted to approximately HK$4.05 million (loss for the corresponding period of last year: approximately HK$3.95 million), representing a year-on-year increase in loss of approximately 3%.

(iii) Travelling Agency Business

The turnover of the travelling agency business during the first half of 2018 was approximately HK$0.11 million (the corresponding period of last year: approximately HK$0.98 million), representing a year-on-year decrease of approximately HK$0.87 million. Loss before tax was approximately HK$0.36 million (profit for the corresponding period of last year: approximately HK$0.49 million), representing a turnaround from profit to loss which was mainly due to the decrease in turnover and interest income.

The above three businesses contributed a total segment turnover of approximately HK$24.84 million (the corresponding period of last year: approximately HK$26.14 million), representing a year-on-year decrease of approximately 5%. Mainly due to the decrease in turnover and the increase in costs and expenses, the segment loss before tax amounted to approximately HK$0.83 million (profit for the corresponding period of last year: approximately HK$1.83 million), representing a turnaround from profit to loss.

Other income

Other income mainly included investment income from deposits, short-term investments and other financial assets/available-for-sale financial assets of approximately HK$22.2 million (the corresponding period of last year: approximately HK$23.13 million). The total amount of other income was approximately HK$23.48 million (the corresponding period of last year: approximately HK$25.52 million), representing a year-on-year decrease of approximately 8%.

Selling and administration expenses

During the period under review, the selling expenses was approximately HK$7.89 million (the corresponding period of last year: approximately HK$7.88 million), representing a year-on-year increase of approximately 0.1%. The administration expenses amounted to approximately HK$49.02 million (the corresponding period of last year: approximately HK$50.26 million), representing a year-on-year decrease of approximately 2%. The decrease in administration expenses was mainly due to the fact that no exchange loss was recorded during the period under review, while an exchange loss of approximately HK$1.49 million was recorded in the corresponding period of last year.

Finance Costs

During the period under review, the finance costs mainly included the interest on bank borrowings. The total finance costs were approximately HK$3.34 million (the corresponding period of last year: approximately HK$17.16 million), representing a year-on-year decrease of approximately 81%. After deducting the finance costs of approximately HK$0.82 million (the corresponding period of last year: approximately HK$2.79 million) which were capitalised during the period under review, the net finance costs were approximately HK$2.51 million (the corresponding period of last year: approximately HK$14.37 million), representing a year-on-year decrease of approximately 83%. The significant decrease in finance costs was mainly attributable to the decrease in interest expenses in relation to the RMB-denominated bonds from approximately HK$14.33 million for the corresponding period of last year to HK$ nil for the period under review, as the Company fully redeemed the RMB600 million bonds issued by it in May 2017.

III. OUTLOOK

The Group was engaged in property development, property investment, finance leasing, bulk commodity trade and hotel and marine travelling services.

For property development and property investment, the overall strategy of the Group is to expedite withdrawal from the market and recover cash flow to serve the strategic transformation of the Group.

For finance leasing, during the period under review, 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), a subsidiary of the Group, stepped up its efforts to explore business areas such as energy conservation, environmental protection and equipment manufacturing. It had reserved leasing projects which laid a solid foundation for subsequent development. As a pilot unit of the state-owned capital operating company, China Chengtong Holdings Group Ltd., the ultimate controlling shareholder of the Group, is making every effort to build up its financial services presence. In particular, as a financial instrument, finance leasing has unique advantages in optimizing resource allocation, improving asset structure and promoting sales and financing innovation. The Group will fully utilize the background advantages of its ultimate controlling shareholder and will, under the premise of strict operating risk control, concentrate the existing resources to further strengthen and enlarge the scale of the finance leasing business with a view to improving profitability and striving for the formation of industry characteristics and considerable brand influence as soon as possible.

For bulk commodity trade, the Group will strictly prohibit financing trade and will carry out the relevant business prudently on the premise of stringent control of risks.

For hotel and marine travelling services, hotels will be renovated in the second half of 2018 and marine travelling services are approaching a low season, while marine condition in the first half of the year was generally poorer. The aforesaid factors would constitute adverse effects on business operation. However, hotel and marine travelling services have gained a foothold in Hainan, and will have a better development under the current strategic opportunity arising from the establishment of the free trade zone (port) in Hainan.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a sound financial position. As at 30 June 2018, equity attributable to owners of the Company amounted to approximately HK$2,851.01 million (as at 31 December 2017: approximately HK$2,838.61 million), representing an increase of approximately HK$12.40 million as compared with that as at 31 December 2017.

As at 30 June 2018, the total assets of the Group amounted to approximately HK$3,608.63 million, representing an increase of approximately HK$33.83 million as compared to that as at 31 December 2017. The amount of total current assets of the Group was approximately HK$2,909.46 million, accounting for approximately 81% of the total assets and representing an increase of approximately HK$192.09 million as compared to that as at 31 December 2017. The current ratio was approximately 5.5 times, representing an increase of approximately 0.1 time as compared to approximately 5.4 times as at 31 December 2017. The total non-current assets of the Group amounted to approximately HK$699.17 million, accounting for approximately 19% of the total assets and representing a decrease of approximately HK$158.26 million as compared to that as at 31 December 2017.

As at 30 June 2018, the total liabilities of the Group amounted to approximately HK$609.94 million, representing an increase of approximately HK$21.58 million as compared with that as at 31 December 2017. The total non-current liabilities of the Group amounted to approximately HK$82.50 million, accounting for approximately 14% of the total liabilities and representing an increase of approximately HK$0.86 million as compared with that as at 31 December 2017. The total current liabilities of the Group amounted to approximately HK$527.44 million, accounting for approximately 86% of total liabilities and representing an increase of approximately HK$20.72 million as compared with that as at 31 December 2017.

As at 30 June 2018, the Group held cash and deposits (including pledged bank deposits, deposits in other financial institution, bank balances and cash) of approximately HK$561.67 million, accounting for approximately 16% and approximately 19% of the total assets and the net assets respectively and representing a decrease of approximately HK$278.25 million as compared with the cash and deposits as at 31 December 2017. As at 30 June 2018, the bank borrowings of the Group amounted to approximately HK$220.25 million, representing an increase of approximately HK$5.85 million as compared with the bank borrowings of approximately HK$214.40 million as at 31 December 2017. Bank borrowings of approximately HK$20.25 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 3.06% to approximately 5.22% per annum. The Group expects that it will have sufficient financial resources to cope with the commitments and liabilities for the following year. During the period under review, the interest coverage ratio (as calculated by dividing consolidated profit before income tax and finance costs by finance costs) was approximately 12.8 times (the corresponding period of last year: approximately 2.3 times), representing a year-on-year increase of approximately 10.5 times. The increase in interest coverage ratio was mainly due to the increase in consolidated profit before income tax and the decrease in finance costs during the period under review.

V. DEBT TO EQUITY RATIO

The debt to equity ratio (calculated by dividing total interest-bearing borrowings by total equity) as at 30 June 2018 was approximately 7.3%, representing an increase of approximately 0.1% as compared with the debt to equity ratio of approximately 7.2% as at 31 December 2017, which indicated a stable financial position and a low liability level of the Group.

VI. EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

During the period under review, 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 2018, the net assets of the Group's business within the territory of the PRC were approximately RMB2,324.47 million. According to HKASs, such amount of net assets denominated in RMB should be converted at the exchange rate applicable as at the end of the reporting period. Due to the decrease in foreign exchange reserve of approximately HK$21.72 million as a result of the depreciation of RMB during the period under review, there had been a decrease in net assets of the Group. Although foreign currency fluctuations during the period under review did not pose significant risks to the Group and the Group does not have any hedging measures against such exchange risks currently, the Group will still continue to closely monitor the risks arising from such currency fluctuations.

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 United States 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 controllable. As at 30 June 2018, the cash and cash equivalents held by the Group were denominated in HKD, United States dollars and RMB. As at 30 June 2018, 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 are 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 fluctuations. When there is an interest rate rise, 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 2018, pledged bank deposits of the Group in the sum of approximately HK$1.32 million were pledged as security for banking facilities granted to mortgagees (as at 31 December 2017: approximately HK$1.32 million). The remaining balance of approximately HK$2.67 million of the Group's pledged bank deposit (as at 31 December 2017: approximately HK$2.69 million) was guaranteed deposits.

(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$48.87 million as at 30 June 2018 and issuing a guarantee letter to the Supreme People's Court of Guangxi Zhuang Autonomous Region to the extent of approximately RMB53.54 million (equivalent to approximately HK$63.71 million) 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.

(c) As at 30 June 2018, the Group's secured bank borrowings were secured by charges over certain bills receivables of the Group with an aggregate carrying amount of HK$7.14 million (as at 31 December 2017: nil).

IX. COMMITMENTS AND CONTINGENT LIABILITIES

Please refer to notes 15 and 16 in this announcement.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2018, the Group employed a total of 274 employees (as at 31 December 2017: 304), of which 12 (as at 31 December 2017: 12) were based in Hong Kong and 262 (as at 31 December 2017: 292) were based in Mainland China. During the period under review, the total staff costs of the Group (including directors emoluments and provident funds) were approximately HK$35.49 million. 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.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, 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 Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange. 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 2018.

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 2018.

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 2018, 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 Stock Exchange at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/chengtong. The 2018 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, 24 August 2018

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.