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 2019

FINANCIAL HIGHLIGHTS

– Turnover for the six months ended 30 June 2019 amounted to approximately HK$507.89 million, representing a decrease of approximately 23% as compared with that for the same period last year.

– Profit for the period attributable to owners of the Company amounted to approximately HK$18.73 million, representing an increase of approximately 31% as compared with that for the same period last year.

– Gross profit margin for core business was approximately 11%, representing an increase of approximately 1% as compared with that for the same period last year.

– Earnings per share was approximately HK0.32 cent, representing an increase of approximately HK0.07 cent as compared with that for the same period last year.

– As at 30 June 2019, the cash (including pledged bank deposits, deposits in other financial institutions, bank balances and cash) held by the Group amounted to approximately HK$1,077.37 million.

– As at 30 June 2019, the debt to equity ratio (expressed as interest-bearing loan divided by total equity) was approximately 7%, representing a decrease of approximately 3% as compared with that as at 31 December 2018.

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**507,888**	663,385
Cost of sales		**(452,960)**	(599,719)
Gross profit		**54,928**	63,666
Other income	*4*	**27,575**	24,814
Selling expenses		**(7,937)**	(7,890)
Administrative expenses		**(41,553)**	(49,022)
Fair value gain on investment properties		**–**	504
Finance costs	*5*	**(3,686)**	(2,514)
Profit before income tax	*7*	**29,327**	29,558
Income tax expense	*6*	**(12,145)**	(14,795)
Profit for the period		**17,182**	14,763
Profit for the period attributable to:			
Owners of the Company		**18,733**	14,265
Non-controlling interests		**(1,551)**	498
		17,182	14,763
Earnings per share for profit attributable to owners of the Company during the period	*9*	***HK cent***	*HK cent*
Basic and diluted		**0.32**	0.25

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**17,182**	14,763
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	**70,918**	15,240
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**(184)**	(22,369)
Net change in fair value of debt investments at fair value through other comprehensive income	**–**	3,551
Total comprehensive income for the period	**87,916**	11,185
Total comprehensive income attributable to:		
Owners of the Company	**89,453**	11,332
Non-controlling interests	**(1,537)**	(147)
	87,916	11,185

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**Unaudited At 30 June 2019 HK$'000**	Audited At 31 December 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**240,154**	187,803
Prepaid land lease payments		**–**	38,592
Investment properties		**101,528**	101,528
Loans receivable	*10*	**387,551**	245,700
Other financial assets	*12*	**4,782**	4,984
		734,015	578,607
Current assets			
Properties held for sale		**193,309**	202,005
Properties under development		**174,020**	152,233
Properties held for development		**281,386**	281,386
Inventories		**4,146**	15,970
Trade and other receivables	*11*	**133,022**	186,706
Loans receivable	*10*	**313,593**	421,236
Prepaid land lease payments		**–**	2,011
Other financial assets	*12*	**644,427**	840,612
Taxation recoverable		**2,647**	2,119
Pledged bank deposits		**1,535**	3,815
Deposits in other financial institution		**2,422**	112,338
Bank balances and cash		**1,073,416**	791,265
		2,823,923	3,011,696

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Current liabilities			
Trade and other payables	13	**114,063**	120,726
Contract liabilities		**204,905**	207,096
Taxation payable		**5,872**	38,843
Bank borrowings		**200,000**	274,100
Lease liabilities		**2,092**	–
Unsecured other loan		**600**	600
		527,532	641,365
Net current assets		**2,296,391**	2,370,331
Total assets less current liabilities		**3,030,406**	2,948,938
Non-current liabilities			
Lease liabilities		**2,738**	–
Deferred tax liabilities		**42,608**	51,794
		45,346	51,794
Net assets		**2,985,060**	2,897,144
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,185,876**	2,185,876
Reserves		**665,282**	575,829
		2,851,158	2,761,705
Non-controlling interests		**133,902**	135,439
Total equity		**2,985,060**	2,897,144

NOTES

For the six months ended 30 June 2019

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 2019, the Company's 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 ("**CCHG**"), a company incorporated in the People's Republic of China (the "**PRC**").

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 ("**Listing Rules**") 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 2018 annual financial statements, except for the change in accounting policies due to the adoption of Hong Kong Financial Reporting Standard 16 Leases ("**HKFRS 16**") as described in note 2.1 below.

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 2018.

The financial information relating to the year ended 31 December 2018 that is included in the interim financial information 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 2018 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 2018 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 2019:

HKAS 19	Plan Amendment, Curtailment or Settlement (amendments)
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except for HKFRS 16 Leases, none of the developments have had a significant effect 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 2019 and the Group has not early adopted the rules.

2.1 HKFRS 16

HKFRS 16 replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("**HK(IFRIC) – Int 4**"), HK(SIC) – Int 15 Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset, representing its right to use the underlying leased asset and a lease liability, representing its obligation to make lease payments.

Details of the nature and effect of the changes in accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 HKFRS 16 *(Continued)*

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivables;

– variable lease payments that are based on an index or a rate;

– amounts expected to be payable under residual value guarantees;

– the exercise price of purchase option if it is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease reflecting the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

– the amount of initial measurement of lease liabilities;

– any lease payment made at or before the commencement date less any lease incentives received;

– any initial direct costs; and

– restoration costs.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 HKFRS 16 *(Continued)*

(ii) Lessee accounting (Continued)

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

There are recognition exemptions for short-term leases and leases of low-value items. Short-term leases are leases with a lease term of 12 months or less at the commencement date. Payments associated with short-term leases and leases of low value items are recognised on a straight-line basis as expenses in profit or loss.

In prior years, rental payable under operating leases were charged to profit or loss on a straight-line basis over the lease term.

(iii) Lessor accounting

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

(iv) Transitional impact and practical expedients applied

The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. The right-of-use asset for property lease was measured at the amount equal to the lease liability, adjusted by the amount of any prepayments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 HKFRS 16 *(Continued)*

(iv) ***Transitional impact and practical expedients applied*** *(Continued)*

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK$'000
Operating lease commitment at 31 December 2018	8,685
Less: short-term leases with remaining lease term ending on or before 31 December 2019	(2,979)
Gross lease liabilities at 1 January 2019	5,706
Less: total future interest expenses	(666)
Lease liabilities at 1 January 2019	5,040
Of which are:	
– Current lease liabilities	1,428
– Non-current lease liabilities	3,612
	5,040

The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.2%.

Prepaid land lease payments in respect of the land use right in the PRC are currently recognised as right-of-use assets under HKFRS 16.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.1 HKFRS 16 *(Continued)*

(iv) Transitional impact and practical expedients applied *(Continued)*

The following table summarises the impact of the adoption of HKFRS 16 on the Group's condensed consolidated statement of financial position as at 1 January 2019. The information presented for 2018 has not been restated.

	As at 31 December 2018	**HKFRS 16 Reclassification**	**HKFRS 16 Contract Capitalisation**	**As at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets:				
Property, plant and equipment	187,803	41,090	5,040	233,933
Prepaid land lease payments	40,603	(40,603)	–	–
Trade and other receivables	186,706	(487)	–	186,219
Liabilities:				
Lease liabilities	–	–	(5,040)	(5,040)

As allowed by HKFRS 16, the Group has used the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group has therefore applied the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group has also elected the practical expedient for not applying the new accounting model to short-term leases (i.e. lease term of 12 months or less).

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. 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

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 2019					
	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	**16,199**	**1,083**	**33,050**	**439,387**	**18,169**	**507,888**
Results						
Segment results *(Note (a))*	**3,681**	**927**	**28,227**	**471**	**(3,905)**	**29,401**
Fair value gain on other financial assets measured at profit or loss						**404**
Unallocated finance costs						**(1,758)**
Unallocated corporate expenses						**(21,362)**
Unallocated corporate income						**22,642**
Profit before income tax						**29,327**

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*	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 and other financial assets	**1,170**	**–**	**1,694**	**333**	**74**	**22,320**	**25,591**
Depreciation	**(17)**	**–**	**(77)**	**(428)**	**(6,999)**	**(1,701)**	**(9,222)**
Finance costs	**–**	**–**	**(1,702)**	**(57)**	**(169)**	**(1,758)**	**(3,686)**

	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

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*	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 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

For the six months ended 30 June 2019 and 2018, unallocated corporate income mainly comprised interest income from deposits and other financial assets which are not directly attributable to the business activities of any operating segment.

For the six months ended 30 June 2019 and 2018, 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 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Segment assets		
Property development	**718,696**	849,182
Property investment*	**101,528**	101,528
Finance leasing	**791,714**	889,029
Bulk commodity trade	**153,546**	188,112
Hotel and marine travelling services	**213,942**	208,104
Total segment assets	**1,979,426**	2,235,955
Unallocated		
– Other financial assets	**637,810**	695,666
– Deposits in other financial institution	**7**	15,026
– Bank balances and cash	**886,453**	552,011
– Other unallocated assets	**54,242**	91,645
Total assets	**3,557,938**	3,590,303

* Segment assets of property investment segment include investment properties but segment results excluded the related fair value change for the period.

Other segment information

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

	Unaudited Six months ended 30 June 2019 *HK$'000*	2018 *HK$'000*
Rental income	**1,083**	1,382
Sales of properties	**16,199**	35,110
Interest income	**24,913**	23,637
Consultancy service income from finance lease arrangements	**8,137**	–
Bulk commodity trade	**439,387**	578,417
Hotel and marine travelling services	**18,169**	24,839
	507,888	663,385

4 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interest income from:		
– deposits and other financial assets	**25,591**	22,203
– a non-controlling shareholder of a subsidiary	**–**	202
	25,591	22,405
Fair value gain on other financial assets measured at fair value through profit or loss	**404**	1,335
Gain on disposal of property, plant and equipment	**195**	–
Others	**1,385**	1,074
	27,575	24,814

5 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**5,318**	3,337
Interest on lease liabilities	**226**	–
	5,544	3,337
Less: Amounts capitalised on properties under development	**(1,858)**	(823)
	3,686	2,514

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	
	2019	2018
	HK$'000	*HK$'000*
Income tax expense comprises:		
Current tax	**11,866**	13,200
Deferred taxation	**279**	1,595
Total income tax expense for the period	**12,145**	14,795

7 PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Profit before income tax has been arrived at after charging/(crediting):		
Depreciation:		
– property, plant and equipment (net of amount capitalised on properties under development)	**9,222**	7,868
Amortisation of prepaid land lease payments	**–**	2,903
(Gain)/loss on disposal of property, plant and equipment	**(195)**	345
Written off of property, plant and equipment	**–**	313
Net impairment charge/(reversal of impairment) on financial assets	**205**	(94)
Exchange gain, net	**(23)**	(161)
Expenses capitalised on properties under development:		
Depreciation	**3**	7
Finance costs	**1,858**	823
Staff costs	**1,766**	1,387

8 DIVIDENDS

The directors of the Company did not declare any interim dividend for the six months ended 30 June 2019 and 2018 and the Company did not recommend the payment of any dividend for the year ended 31 December 2018.

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$18,733,000 (for the six months ended 30 June 2018: HK$14,265,000) and on the weighted average number of 5,796,985,000 (for the six months ended 30 June 2018: 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 2019, the Group had twelve (31 December 2018: eleven) 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 to 5 years (31 December 2018: 1 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 and recognised as financial assets at amortised cost in accordance with HKFRS 9 Financial Instruments in current period.

	Unaudited At 30 June 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Analysed for reporting purposes as:		
Current assets	**313,593**	421,236
Non-current assets	**387,551**	245,700
	701,144	666,936

As at 30 June 2019, effective interest rates ranged from approximately 5.22% to 8.12% (31 December 2018: 5.22% to 8.12%) per annum.

10 LOANS RECEIVABLE *(Continued)*

As at 30 June 2019, loans receivable of HK$5,080,000 had been past due (31 December 2018: nil). The loans receivable under the sale and leaseback arrangements are secured by the leased equipment, facilities and customers' deposits and the Group has obtained guarantees provided by the related parties 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 2019, loss allowance of HK$141,000 was made against the gross amount of loans receivable (31 December 2018: HK$121,000).

11 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Trade and bills receivables *(note a)*	**7,383**	8,475
Prepayments to suppliers	**86,434**	111,353
Other prepayments and deposits	**4,526**	43,747
Other receivables *(note b)*	**34,679**	23,131
	133,022	186,706

Notes:

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

	Unaudited At 30 June 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Trade and bills receivables	**7,384**	8,475
Less: allowance for impairment	**(1)**	–
Trade and bills receivables – net	**7,383**	8,475

11 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

As at 30 June 2019 and 31 December 2018, trade receivables mainly arose from bulk commodity trading. No credit period has been granted to customers of bulk commodity trade business for the six months ended 30 June 2019 (31 December 2018: nil).

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 2019, loss allowance of HK$1,000 (31 December 2018: nil) was 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 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Within 90 days	**7,337**	378
91–180 days	**46**	8,097
	7,383	8,475

(b) As at 30 June 2019, loss allowance of HK$361,000 (31 December 2018: HK$177,000) was made against the gross amount of other receivables.

12 OTHER FINANCIAL ASSETS

	Unaudited At 30 June 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Non-current:		
Financial assets measured at fair value through other comprehensive income ("FVOCI") (non-recycling)		
– Equity investments	**4,782**	4,984
Current:		
Financial assets measured at FVOCI (non-recycling)		
Equity investments		
– Shares listed in Hong Kong	**175,260**	104,140
Financial assets measured at fair value through profit or loss		
– Shares listed in Hong Kong	**1,058**	1,125
– Unlisted investments	**314,209**	421,847
Financial assets at amortised cost		
– Unlisted investments with interest from 3.9% to 4.0% (2018: 4.0% to 7.0%) per annum	**11,400**	74,100
– Structured bank deposits with interest ranging from 3.5% to 4.4% (2018: 2.9% to 4.5%) per annum	**142,500**	239,400
	644,427	840,612

13 TRADE AND OTHER PAYABLES

	Unaudited At 30 June 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Trade payables *(note)*	**14,364**	13,030
Other payables and accruals	**33,399**	52,516
Deposits received	**27,636**	14,820
Accrual of construction costs	**38,664**	40,360
	114,063	120,726

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 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Within 1 year	**11,440**	10,105
Over 1 year but less than 2 years	**–**	–
Over 2 years but less than 3 years	**–**	2,925
Over 3 years	**2,924**	–
	14,364	13,030

14 CAPITAL COMMITMENTS

	Unaudited At 30 June 2019 *HK$'000*	Audited At 31 December 2018 *HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**8,327**	21,601

15 CONTINGENT LIABILITIES

(a) As at 30 June 2019, the Group had contingent liabilities in relation to guarantees of approximately HK$198,696,000 (31 December 2018: HK$211,918,000) 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 China 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$45,367,000 as at 31 December 2018 and issuing a guarantee letter to Supreme People's Court of Guangxi Zhuang Autonomous Region to the extent of RMB53,540,000 (approximately HK$61,036,000) 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 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 aforesaid guarantee provided by the Group.

The aforesaid guarantee provided by the Group has been discharged during the six months ended 30 June 2019.

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 2019, the consolidated turnover of the Group decreased by approximately 23% to approximately HK$507.89 million (the corresponding period of last year: approximately HK$663.39 million). The decrease in turnover was mainly due to the substantial decrease in turnover from bulk commodity trade as a result of weak demand and supply of coal in China during the first half of the year. The profit for the period attributable to owners of the Company was approximately HK$18.73 million (the corresponding period of last year: approximately HK$14.27 million), representing a year-on-year increase of approximately 31%. The increase in the profit for the period was mainly due to: (i) a year-on-year decrease in administrative expenses by approximately 15% to approximately HK$41.55 million (the corresponding period of last year: approximately HK$49.02 million); (ii) a year-on-year increase in the interest income from deposits and other financial assets recorded under other income by approximately 15% to approximately HK$25.59 million (the corresponding period of last year: approximately HK$22.20 million); and (iii) a year-on-year decrease in the income tax expenses by approximately 18% to approximately HK$12.15 million (the corresponding period of last year: approximately HK$14.80 million). Mainly as a result of the decrease in turnover from coal trading, consolidated gross profits decreased year-on-year by approximately 14% to approximately HK$54.93 million (the corresponding period of last year: approximately HK$63.67 million). Besides, due to the increase in interest rates during the period, finance costs increased year-on-year by approximately 47% to approximately HK$3.69 million (the corresponding period of last year: approximately HK$2.51 million), reducing the profit for the period.

The board ("**Board**") of directors ("**Directors**") of the Company did not recommend the declaration of any interim dividend for the six months ended 30 June 2019 (the corresponding period of last year: nil).

II. BUSINESS REVIEW

Segment Revenue and Results

The revenue of the Group was mainly derived from the five business segments in the PRC, including property development, property investment, finance leasing, bulk commodity trade and hotel and marine travelling services.

(1) Property Development

During the period under review, the sales revenue from property development of the Group was generated from two projects, 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$16.20 million (the corresponding period of last year: approximately HK$35.11 million), representing a year-on-year decrease of approximately 54%, and the segment profit before tax decreased to approximately HK$3.68 million, representing a decrease of approximately 57% as compared to that for the corresponding period of last year (the corresponding period of last year: approximately HK$8.49 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, which is located in a county level city. During the period under review, despite the implementation of more lenient austerity measures in the third and fourth-tier cities, sales revenue from the project decreased substantially due to limited purchasing power and the tightening mortgage credit lines granted by banks. Mainly because of the decrease in areas sold by approximately 58% to approximately 2,077 square metres as compared to that in the corresponding period of last year (the corresponding period of last year: approximately 4,944 square metres), the sales revenue was approximately HK$16.20 million (the corresponding period of last year: approximately HK$34.71 million), representing a year-on-year substantial decrease of approximately 53%. The profit before tax amounted to approximately HK$5.12 million (the corresponding period of last year: approximately HK$9.84 million), representing a year-on-year decrease of approximately 48%.

As at 30 June 2019, the unsold areas of phase I, phase II and phase III of CCT-Champs-Elysees project included residential area of approximately 27,308 square metres (as at 31 December 2018: approximately 29,392 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2018: approximately 1,410 square metres) (excluding the leased area of approximately 7,565 square metres (as at 31 December 2018: 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 the major cities and due to the continued downturn of the real estate market in the region, no sales revenue of the project was recorded (the corresponding period of last year: approximately HK$0.4 million) during the period under review. The loss before tax amounted to approximately HK$1.44 million (the corresponding period of last year: approximately HK$1.35 million), representing a year-on-year increase in loss of approximately 7%.

As at 30 June 2019, the unsold residential areas of Chengtong International City project was approximately 10,930 square metres (as at 31 December 2018: approximately 10,930 square metres) and the unsold area of commercial space was approximately 9,540 square metres (as at 31 December 2018: 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 2019 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. Leaseable area from the project was approximately 7,565 square metres. Due to the surrender of some tenancies during the period under review, the actual leased area was approximately 5,368 square metres as at 30 June 2019 (as at 30 June 2018: approximately 7,030 square metres), representing a year-on-year decrease of approximately 24%. Accordingly, there was a year-on-year decrease of approximately 22% in the rental income to approximately HK$1.08 million (the corresponding period of last year: approximately HK$1.38 million). The profit before tax was approximately HK$0.93 million (the corresponding period of last year: approximately HK$1.22 million), representing a year-on-year decrease of approximately 24%.

(3) Finance Leasing

During the period under review, the turnover from the finance leasing business amounted to approximately HK$33.05 million (the corresponding period of last year: approximately HK$23.64 million), representing a year-on-year increase of approximately 40%. The profit before tax was approximately HK$28.23 million (the corresponding period of last year: approximately HK$18.34 million), representing a year-on-year increase of approximately 54%. The increase in profit was mainly attributable to (i) the recording of income from financing consultancy service of approximately HK$8.14 million during the period under review, while no such income was recorded during the corresponding period of last year; and (ii) the year-on-year increase in interest and other income by approximately HK$1.73 million to approximately HK$2.48 million (the corresponding period of last year: approximately HK$0.75 million).

(4) Bulk Commodity Trade

During the period under review, turnover from bulk commodity trade business segment was approximately HK$439.39 million (the corresponding period of last year: approximately HK$578.42 million), representing a year-on-year decrease of approximately 24%. Segment profit before tax was approximately HK$0.47 million (the corresponding period of last year: approximately HK$9.33 million), representing a significant year-on-year decrease of approximately 95%. The details of the trading of coal and steel under bulk commodity trade are as follows:

(i) Trading of Coal

In the first half of 2019, due to the tightened domestic supply of coal and the decrease in coal demand from downstream enterprises, turnover from coal trading decreased significantly as a result of weak demand and supply. During the period under review, the sales volume of coal trading amounted to approximately 320,000 tons (the corresponding period of last year: approximately 520,000 tons), representing a year-on-year decrease of approximately 38%. The average unit selling price decreased by approximately 5% from approximately RMB623 per ton in the corresponding period of last year to approximately RMB593 per ton during the period under review, resulting in a year-on-year decrease in turnover by approximately 49% to approximately HK$218.54 million (the corresponding period of last year: approximately HK$430.49 million). Mainly due to the decrease in sales volume, gross profit decreased year-on-year by approximately HK$6.32 million to approximately HK$0.64 million (the corresponding period of last year: approximately HK$6.96 million). Accordingly, there was a turnaround from profit to loss for the period under review during which a loss before tax of approximately HK$0.85 million was recorded, while a profit before tax of approximately HK$4.93 million was recorded during the corresponding period of last year.

(ii) Steel and Non-ferrous Metal Trade

In the first half of 2019, demand for steel in the domestic market remained stable. However, due to the faster growth of steel production capacity, the steel market revealed an oversupply condition where steel prices continued to fall. The sales volume of steel was approximately 58,719 tons (the corresponding period of last year: approximately 35,337 tons), representing a year-on-year increase of approximately 66%.

During the period and for the corresponding period of last year, no turnover was recorded for non-ferrous metal. The turnover of steel was approximately HK$220.85 million (the corresponding period of last year: HK$147.93 million), representing a year-on-year increase of approximately 49%. Due to a decrease in the average unit selling price of steel by approximately 4% from approximately RMB3,404 per ton for the corresponding period of last year to approximately RMB3,271 per ton for the period under review, gross profit decreased by approximately 23% year-on-year to approximately HK$3.67 million (the corresponding period of last year: approximately HK$4.77 million). Also, as selling expenses increased from that for the corresponding period of last year, profit before tax amounted to approximately HK$1.32 million (the corresponding period of last year: approximately HK$4.40 million), representing a year-on-year decrease of approximately 70%.

(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$18.12 million (the corresponding period of last year: approximately HK$23.12 million), representing a year-on-year decrease of approximately 22%, which was mainly attributable to the substantial decrease in the number of tourists travelling to Yalong Bay in Sanya during the first half of the year as a result of the negative impacts of the property-purchase limitation policies in Hainan and the diversion of tourists to other cities and counties in Hainan and the newly developed tourist areas in Sanya. Due to the decrease in turnover, gross profit decreased by approximately 33% year-on-year from approximately HK$14.00 million to approximately HK$9.44 million. There was a turnaround from profit to loss for the period under review during which a loss before tax of approximately HK$0.10 million was recorded, while a profit before tax of approximately HK$3.58 million was recorded during the corresponding period of last year.

(ii) *Hotel Business*

Due to the renovation of hotel and temporary suspension of business since March 2018, no turnover was recorded during the period under review (the corresponding period of last year: approximately HK$1.61 million). Loss before tax amounted to approximately HK$3.60 million (loss for the corresponding period of last year: approximately HK$4.05 million), representing a year-on-year decrease in loss of approximately 11%, which was mainly attributable to the decrease in selling and administrative expenses.

(iii) *Travelling Agency Business*

During the period under review, the turnover of the travelling agency business was approximately HK$0.05 million (the corresponding period of last year: approximately HK$0.11 million), representing a year-on-year decrease of approximately 55%. Loss before tax was approximately HK$0.21 million (loss for the corresponding period of last year: approximately HK$0.36 million), representing a decrease in loss of approximately 42%.

The above three businesses contributed a total segment turnover of approximately HK$18.17 million (the corresponding period of last year: approximately HK$24.84 million), representing a year-on-year decrease of approximately 27%. Segment loss before tax amounted to approximately HK$3.91 million (loss for the corresponding period of last year: approximately HK$0.83 million), representing an increase in loss of approximately HK$3.08 million.

Other income

The aggregate amount of other income for the period was approximately HK$27.58 million (for the corresponding period of last year: approximately HK$24.81 million), representing a year-on-year increase of approximately 11%, which mainly included interest income from deposits and other financial assets of approximately HK$25.59 million (the corresponding period of last year: approximately HK$22.20 million) and fair value gain on other financial assets measured at fair value through profit or loss of approximately HK$0.40 million (the corresponding period of last year: approximately HK$1.34 million).

Selling and administrative expenses

The selling expenses for the period was approximately HK$7.94 million (the corresponding period of last year: approximately HK$7.89 million), which was similar with that for the corresponding period of last year. Administrative expenses amounted to approximately HK$41.55 million (the corresponding period of last year: approximately HK$49.02 million), representing a year-on-year decrease of approximately 15%, which was mainly due to the decrease in staff cost as a result of the temporary suspension of the hotel business for renovation during the period, and the decrease in amortisation of prepaid land lease payments during the period following the disposal of Cuidao Hotspring Hotel in September last year.

Finance costs

The total finance costs for the period were approximately HK$5.54 million (the corresponding period of last year: approximately HK$3.34 million), representing a year-on-year increase of approximately 66%, which was mainly due to the year-on-year increase in the borrowing interest rates in Hong Kong. After deducting the finance costs of approximately HK$1.86 million (the corresponding period of last year: approximately HK$0.82 million) which were capitalised during the period under review, the net finance costs were approximately HK$3.68 million (the corresponding period of last year: approximately HK$2.51 million), representing a year-on-year increase of approximately 47%. The finance costs consist mainly of interest on bank borrowings.

III. OUTLOOK

Currently, the Group is engaged in finance leasing, property development and property investment, bulk commodity trade, hotel and marine travelling services.

For finance leasing, the Group actively plans to expand the finance leasing business to promote the transformation and upgrading of existing business. During the period, two sales and leaseback projects were completed. At the same time, the Group also spent more effort in doing research on business areas including transport logistics, energy conservation, environmental protection, high-end equipment and "One Belt and One Road" cross-border leasing, and also reserved a number of projects. Looking into the second half of the year, the Group will strengthen the deployment of professional teams to expand the scale of the finance leasing business and to strengthen the communication with domestic and foreign banks and financial institutions with a view to achieving breakthrough in obtaining bank credit facilities. The Group will fully utilise the advantage of the background of its ultimate controlling shareholder and will, under the premise of strict control of operating risk, consolidate the existing resources in further strengthening and enlarging the scale of the finance leasing business with a view to improving profitability.

For property development and property investment, the overall strategy of the Group is to exit the investment in some projects selectively and recover cash flow to serve the strategic transformation of the Group. During the first half of the year, while expediting the sales of existing properties, the Group promoted the development and construction of land lot number 3 in Phase III of the CCT-Champs-Elysees project with the intention to exit the investment upon final completion of the development of the project. At the same time, the Group also intends to push ahead the equity restructuring in respect of the Chengtong International City project in Dafeng City, Jiangsu Province, the PRC with other potential partners.

For bulk commodity trade, the Group will actively seek to commence business cooperation with its related party, Chengtong International Limited, an indirect non-wholly owned subsidiary of CCHG, to jointly carry out international trade business.

For hotel and marine travelling services, the key work for the first half of 2019 was to push ahead the alteration work of 海南寰島海底世界酒店(unofficial English translation being Hainan Huandao Beach Hotel). Currently the alteration work has been substantially completed. Upon completion of the remaining renovation work, business operation will commence in August 2019.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a sound financial position. As at 30 June 2019, equity attributable to owners of the Company amounted to approximately HK$2,851.16 million (as at 31 December 2018: approximately HK$2,761.71 million), representing an increase of approximately HK$89.45 million as compared with that as at 31 December 2018. As at 30 June 2019, the total assets of the Group amounted to approximately HK$3,557.94 million, representing a decrease of approximately HK$32.36 million as compared to that as at 31 December 2018. The amount of total current assets of the Group was approximately HK$2,823.92 million, accounting for approximately 79% of the total assets and representing a decrease of approximately HK$187.77 million as compared to that as at 31 December 2018. The current ratio was approximately 5.4 times, representing an increase of approximately 15% as compared to approximately 4.7 times as at 31 December 2018. The total non-current assets of the Group amounted to approximately HK$734.02 million, accounting for approximately 21% of the total assets and representing an increase of approximately HK$155.41 million as compared to that as at 31 December 2018.

As at 30 June 2019, the total liabilities of the Group amounted to approximately HK$572.88 million, representing a decrease of approximately HK$120.28 million as compared with that of approximately HK$693.16 million as at 31 December 2018. The total non-current liabilities of the Group amounted to approximately HK$45.35 million, accounting for approximately 8% of the total liabilities and representing a decrease of approximately HK$6.45 million as compared with that as at 31 December 2018. The total current liabilities of the Group amounted to approximately HK$527.53 million, accounting for approximately 92% of total liabilities and representing a decrease of approximately HK$113.83 million as compared with that as at 31 December 2018.

As at 30 June 2019, the Group held cash and deposits (including pledged bank deposits, deposits in other financial institution, bank balances and cash) of approximately HK$1,077.37 million, primarily in Renminbi ("**RMB**"), Hong Kong dollars ("**HKD**") and the United States dollars ("**USD**"), accounting for approximately 30% and approximately 36% of the total assets and the net assets respectively and representing an increase of approximately HK$169.95 million as compared with the cash and deposits as at 31 December 2018, indicating that the Group had a strong liquidity position.

As at 30 June 2019, the bank borrowings of the Group amounted to HK$200 million, representing a decrease of HK$74.10 million as compared with the bank borrowings of HK$274.10 million as at 31 December 2018. As at 30 June 2019, the bank borrowings was a revolving loan denominated in HKD with a final repayment date in the year of 2020. The effective interest rate of the bank borrowings was approximately 4.53% 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 9 times (the corresponding period of last year: approximately 12.8 times), representing a year-on-year decrease of approximately 30%. The decrease in interest coverage ratio was mainly due to the year-on-year increase in the borrowing interest rate in Hong Kong.

V. DEBT TO EQUITY RATIO

The debt to equity ratio (calculated by dividing total interest-bearing borrowings by total equity) as at 30 June 2019 was approximately 6.7%, representing a decrease of approximately 2.8% as compared with the debt to equity ratio of approximately 9.5% as at 31 December 2018, which indicated a stable financial position and a low liability level of the Group.

VI. SIGNIFICANT INVESTMENTS

Details of the significant investments in the portfolio under other financial assets as at 30 June 2019 are as follows:

Description of investment	Interest rate per annum (approximate)	Approximate investment amount as at 30 June 2019 *('000)*	Fair value as at 30 June 2019 *(HK$'000)*	Approximate percentage to the Group's total assets as at 30 June 2019	Fair value change in 2019 *(HK$'000)*
254,000,000 shares in Honghua Group Limited (Stock code: 196) *(Note 1)*	N/A	HK$195,580	175,260	4.9%	71,120 *(Note 2)*
Unlisted trust schemes and investment products issued by PRC banks and financial institutions	5.0%–9.5%	RMB275,622	314,209	8.8%	471 *(Note 3)*
Unlisted interest bearing wealth management products issued by PRC banks	3.9%–4.0%	RMB10,000	11,400	0.3%	–
Interest bearing structured bank deposits with PRC banks	3.5%–4.4%	RMB125,000	142,500	4.0%	–

Note 1: The principal businesses of Honghua Group Limited are manufacturing of drilling rigs, offshore engineering, manufacturing of oil & gas exploitation equipment and providing drilling services. During the period under review, Honghua Group Limited did not declare any dividend.

Note 2: The financial asset is measured at fair value through other comprehensive income (non-recycling).

Note 3: The financial asset is measured at fair value through profit or loss.

For more details of the Group's other financial assets, please refer to note 12 in this announcement. Looking ahead, the Group anticipates to receive investment income from these investments and we intend to actively explore other potential investment opportunities to maximise shareholder's value.

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 USD, which expose the Group to foreign currency risks. The HKD-denominated bank borrowings of the Group of HK$200 million were based on floating interest rates which exposed the Group to interest rate risks. The Group will use interest rate and foreign currency swaps and forward foreign exchange contracts as and when appropriate for risk management and hedging purposes with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative financing transactions for speculative purposes. It is also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure including hedge funds or similar products.

VIII. INTEREST RATE RISK

As at 30 June 2019, the Group's bank borrowings of HK$200 million were based on floating interest rates. With the sufficient capital and strong liquidity of the banks in Hong Kong and the recent interest rate reduction policy implemented by the government of the United States, the floating interest rates are stabilised at a low level. Although the Group does not currently have any hedging measures against such interest rate risks, the Group will continue to closely monitor the risks arising from such interest rate fluctuation. When interest rate rises, hedging instruments will be used in due course to reduce the interest rate risks caused by the HKD-denominated bank borrowings which are based on floating interest rates.

IX. FOREIGN EXCHANGE RISK

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 2019, the net assets of the Group's business within the territory of the PRC were approximately RMB2,038.96 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. As at 30 June 2019, the exchange rate of RMB remained similar as that at the end of last year and the Group's foreign exchange reserve decreased by approximately HK$0.20 million. Although foreign currency fluctuations during the period under review did not pose significant risks to the Group and the Group does not currently have any hedging measures against such exchange risks, the Group will still continue to closely monitor the risks arising from such currency fluctuations.

X. PLEDGE OF ASSETS

As at 30 June 2019, pledged bank deposits of the Group in the sum of approximately HK$1.26 million were pledged as security for banking facilities granted to mortgagees (as at 31 December 2018: approximately HK$1.26 million). The remaining balance of approximately HK$0.28 million of the Group's pledged bank deposit (as at 31 December 2018: approximately HK$2.56 million) was guaranteed deposits.

XI. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2019, the Group's capital commitments consisted of the purchase of property, plant and equipment. The purchase will be funded by internal resources of the Group. Please refer to notes 14 and 15 in this announcement for details of the capital commitments and contingent liabilities of the Group.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2019, the Group employed a total of 274 employees (as at 31 December 2018: 267), of which 11 (as at 31 December 2018: 11) were based in Hong Kong and 263 (as at 31 December 2018: 256) 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$32.12 million. Employees' remunerations are determined in accordance with the employees' experiences, competence, qualifications, nature of duties, and current market trend so as to maintain competitiveness. Apart from basic salary, discretionary bonus and other incentives are offered to the employees of the Group as a reward for their performance and contributions. The emoluments of the Directors are determined having regard to the Company's corporate goals and the individual performance of the Directors.

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 2019, 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 2019.

CORPORATE GOVERNANCE

The Board considers that good corporate governance is vital to the healthy and sustainable development of the Group. In the opinion of the Directors, the Company has complied with all the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2019, save as disclosed below:

During the period, Mr. Zhang Bin performed both the roles of the Acting Chairman/Chairman of the Board and the Managing Director, which constitutes a deviation from Code Provision A.2.1 of the CG Code which provides that the roles of chairman and chief executive should not be performed by the same individual. Mr. Zhang, who has been the Managing Director of the Company, served as the Acting Chairman of the Board since 1 December 2018 and was appointed as the Chairman of the Board with effect from 26 June 2019. The Board believes that it is in the best interest of the Company to have Mr. Zhang taking up both the roles of the Acting Chairman/Chairman and the Managing Director in the meantime for effective management and business development. Meanwhile, the Company is identifying suitable candidate for the position of Managing Director in order to re-comply with Code Provision A.2.1 of the CG Code.

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 2019, 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 2019 interim report of the Company will be available on both websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 23 August 2019

As at the date of this announcement, the executive Directors are 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.