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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 2015

FINANCIAL HIGHLIGHTS

- Consolidated turnover for the six months ended 30 June 2015 amounted to approximately HK\$259.64 million, representing a decrease of approximately 53% as compared with the same period last year.
- Consolidated profit after tax was approximately HK\$45.98 million, as compared with the consolidated loss after tax of approximately HK\$16.02 million for the same period last year.
- Consolidated gross profit margin for core business was approximately 22%, representing an increase of approximately 16% as compared with the same period last year.
- Earnings per share was HK0.95 cent, representing an increase of approximately HK0.82 cent as compared with the same period last year.
- As at 30 June 2015, the cash (comprising structured bank deposits, pledged bank deposits and bank balances and cash) held by the Group amounted to approximately HK\$2,507.44 million.
- As at 30 June 2015, the debt to equity ratio (which is calculated as interest-bearing bank borrowings and corporate bonds divided by total equity) was approximately 25%, representing a decrease of approximately 14% as compared to that as at 31 December 2014.
- On 17 June 2015, the Company completed the placing of a total of 968,000,000 shares at the placing price of HK\$1.01 per placing share to not less than six investors. The net proceeds from the top-up placing were approximately HK\$962 million.
- The Board has resolved not to declare any interim dividends.

The board (“**Board**”) of directors (“**Directors**”) of China Chengtong Development Group Limited (“**Company**”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2015 together with the comparative figures for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

	Notes	Unaudited	
		Six months ended 30 June 2015 HK\$'000	2014 HK\$'000
Turnover	3	259,637	547,556
Cost of sales		<u>(201,670)</u>	<u>(515,102)</u>
Gross profit		57,967	32,454
Other income	4	105,127	163,413
Selling expenses		(7,337)	(7,818)
Administrative expenses		(60,659)	(82,895)
Fair value gain on investment properties		–	1,386
Fair value gain/(loss) on held-for-trading securities		116	(333)
Finance costs	5	<u>(21,727)</u>	<u>(106,675)</u>
Profit/(loss) before income tax		73,487	(468)
Income tax expense	6	<u>(27,511)</u>	<u>(15,556)</u>
Profit/(loss) for the period	7	<u>45,976</u>	<u>(16,024)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		46,704	6,161
Non-controlling interests		<u>(728)</u>	<u>(22,185)</u>
		<u>45,976</u>	<u>(16,024)</u>
Earnings per share for profit attributable to owners of the Company during the period	9	HK cent	HK cent
Basic and diluted		<u>0.95</u>	<u>0.13</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Profit/(loss) for the period	45,976	(16,024)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	<u>5,882</u>	<u>(23,501)</u>
Total comprehensive income for the period	<u>51,858</u>	<u>(39,525)</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>52,212</u>	(15,880)
Non-controlling interests	<u>(354)</u>	<u>(23,645)</u>
	<u>51,858</u>	<u>(39,525)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		167,368	187,722
Prepaid land lease payments		50,769	51,760
Investment properties		58,224	58,086
Deposits paid	10	99,442	29,181
Loans receivable	11	148,433	194,173
		524,236	520,922
Current assets			
Properties held for sale		249,700	287,498
Properties under development		184,269	160,469
Properties held for development		311,746	311,006
Inventories		12,939	23,191
Trade and other receivables	12	388,967	403,444
Loans receivable	11	90,318	85,538
Amount due from a non-controlling shareholder of a subsidiary		22,387	21,686
Loans to a related party		83,477	54,454
Prepaid land lease payments		2,012	2,007
Entrusted loan receivables	13	74,790	107,525
Available-for-sale financial assets	14	138,930	–
Held-for-trading securities		1,819	1,703
Short-term investments	15	483,729	594,720
Structured bank deposits		631,500	662,760
Pledged bank deposits		606,896	1,774,816
Bank balances and cash		1,269,044	728,127
		4,552,523	5,218,944
Current liabilities			
Trade and other payables	16	1,188,194	2,798,209
Deposits received from sale of properties		44,695	58,728
Taxation payable		17,788	26,029
Bank borrowings	17	15,156	68,157
Unsecured other loans		600	600
		1,266,433	2,951,723
Net current assets		3,286,090	2,267,221
Total assets less current liabilities		3,810,326	2,788,143

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
As at 30 June 2015

	<i>Notes</i>	Unaudited At 30 June 2015 HK\$'000	Audited At 31 December 2014 HK\$'000
Non-current liabilities			
Deferred tax liabilities		52,710	52,584
Corporate bonds	18	<u>730,147</u>	<u>721,610</u>
		<u>782,857</u>	<u>774,194</u>
Net assets		<u>3,027,469</u>	<u>2,013,949</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	2,185,876	1,224,214
Reserves		<u>685,099</u>	<u>632,887</u>
		<u>2,870,975</u>	<u>1,857,101</u>
Non-controlling interests		<u>156,494</u>	<u>156,848</u>
Total equity		<u>3,027,469</u>	<u>2,013,949</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1 BASIS OF PREPARATION

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 of Hong Kong Limited (the “**Listing Rules**”) and the 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 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 2014.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

2.1 Adoption of amended HKFRSs

From 1 January 2015, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group’s financial statements.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ²
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“**FVTOCI**”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“**FVTPL**”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these pronouncements in the period of initial application and the directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group’s financial statements.

3 TURNOVER AND SEGMENT INFORMATION

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

3 TURNOVER AND SEGMENT INFORMATION (Continued)

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) Financial leasing – providing financial leasing service including arranging sales and leaseback transaction;
- (4) Trading of coal – trading of coal;
- (5) Bulk commodity trade – trading of bulk commodity; and
- (6) 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						Total HK\$'000
	For the six months ended 30 June 2015						
	Property investment HK\$'000	Property development HK\$'000	Financial leasing HK\$'000	Trading of coal HK\$'000	Bulk commodity trade HK\$'000	Hotel and marine travelling services HK\$'000	
Turnover							
Segment revenue – external sales and income	946	51,515	14,384	157,859	–	34,933	259,637
Results							
Segment results (Note (a))	697	10,023	11,180	1,736	52,930	5,456	82,022
Fair value gain on held-for-trading securities							116
Interest income from entrusted loan receivables							6,060
Unallocated finance costs							(20,729)
Unallocated corporate expenses							(11,495)
Unallocated other income							17,513
Profit before income tax							73,487

3 TURNOVER AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Notes:

	Property investment HK\$'000	Property development HK\$'000	Financial leasing HK\$'000	Trading of coal 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 bank deposits, short-term investments and available-for-sale financial assets	-	123	268	40	45,594	398	1,050	47,473
Depreciation	-	(82)	(48)	(1)	(1,835)	(5,907)	(150)	(8,023)
Finance costs	-	-	-	-	(998)	-	(20,729)	(21,727)
Reversal of impairment of prepayment	-	-	-	-	17,167	-	-	17,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unaudited For the six months ended 30 June 2014								
	Property investment HK\$'000	Property development HK\$'000	Financial leasing HK\$'000	Trading of coal HK\$'000	Bulk commodity trade HK\$'000	Hotel and marine travelling services HK\$'000		Total HK\$'000
Turnover								
Segment revenue – external sales and income	<u>852</u>	<u>43,405</u>	<u>-</u>	<u>-</u>	<u>468,192</u>	<u>35,107</u>		<u>547,556</u>
Results								
Segment results (Note (a))	<u>804</u>	<u>11,938</u>	<u>(540)</u>	<u>(637)</u>	<u>(49,864)</u>	<u>11,422</u>		<u>(26,877)</u>
Fair value gain on investment properties (Note (b))								1,386
Fair value loss on held-for-trading securities								(333)
Interest income from entrusted loan receivables								18,575
Unallocated finance costs								(21,064)
Unallocated corporate expenses								(13,788)
Unallocated other income								41,633
Loss before income tax								<u>(468)</u>

3 TURNOVER AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Notes:

	Property investment HK\$'000	Property development HK\$'000	Financial leasing HK\$'000	Trading of coal 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 bank deposits and short-term investments	-	240	1,484	86	102,586	93	4,032	108,521
Depreciation	-	(126)	(88)	(4)	(2,008)	(6,209)	(116)	(8,551)
Finance costs	-	-	-	-	(85,611)	-	(21,064)	(106,675)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance								
Fair value gain on investment properties	<u>1,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,386</u>

Segment results do not include income tax expense.

Segment results represent the results from each segment without allocation of administration costs incurred and other income generated by head office and the inactive subsidiaries, directors' salaries, fair value change of investment properties and held-for-trading securities and finance cost of corporate bonds. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Segment assets		
Property investment	58,224	58,086
Property development	791,017	822,488
Financial leasing	409,409	294,288
Trading of coal	141,769	93,138
Bulk commodity trade	1,920,149	3,747,096
Hotel and marine travelling services	239,573	281,959
	<hr/>	<hr/>
Total segment assets	3,560,141	5,297,055
	<hr/>	<hr/>
Unallocated		
– entrusted loan receivables	74,790	107,525
– other unallocated assets	387,265	274,606
– bank balances and cash	1,054,563	60,680
	<hr/>	<hr/>
Total assets	5,076,759	5,739,866
	<hr/> <hr/>	<hr/> <hr/>

4 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank deposits, short-term investments and available-for-sale financial assets	47,473	108,521
Interest income from other receivables	–	25,505
Interest income from entrusted loan receivables	6,060	18,575
Interest income from consideration receivable from disposal of a subsidiary	4,317	–
Interest income from a non-controlling shareholder of a subsidiary	649	692
Interest income from a related party	3,549	1,736
Reversal of impairment of prepayment	17,167	–
Compensation from overdue deposit	–	5,899
Reversal of other payables (<i>Note</i>)	5,055	–
Compensation income	6,887	–
Exchange gain	13,572	–
Others	398	2,485
	105,127	163,413

Note:

As disclosed in note 42 of the annual report of the Company for the year ended 31 December 2014, the disposal of Chengtong Development International Trading Limited (“CDIT”) and 杭州瑞能金屬材料有限公司 (“杭州瑞能”) was completed on 22 December 2014 and 19 December 2014 respectively. The profit or loss of CDIT and 杭州瑞能 during the period from the valuation date (being 31 May 2014) up to the date of completion (the “**post agreement date**”) will be borne by the Group. As at 31 December 2014 and up to the date that the board of directors approved the Group’s annual financial statements for the year ended 31 December 2014 for issue, the Group had not signed any supplemental agreement with the buyer yet. As at 31 December 2014, the Group accrued the amount of approximately HK\$31,746,000 for the amounts to the buyer regarding the post agreement date results borne by the Group based on the directors’ best estimation.

On 30 April 2015, the Group entered into a supplemental agreement with the buyer of CDIT and 杭州瑞能 and confirmed that the post agreement date loss in the aggregate amount of approximately HK\$26,691,000 from CDIT and 杭州瑞能 should be borne by the Group. Since the supplemental agreement was signed during the six months ended 30 June 2015, reversal of payable to the buyer regarding the post agreement date results borne by the Group of approximately HK\$5,055,000 was credited to other income. Details of the reversal of other payables are set out in the Company’s announcement dated 30 April 2015.

5 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on corporate bonds	21,903	21,064
Interest on bank and other borrowings wholly repayable within five years	290	8,311
Interest on discounted bills with recourse	708	77,300
	<u>22,901</u>	<u>106,675</u>
Less: Amounts capitalised on properties under development	<u>(1,174)</u>	<u>–</u>
	<u>21,727</u>	<u>106,675</u>

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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
The income tax expense comprises:		
Current tax	19,279	15,049
Under-provision in prior years	8,232	160
Deferred taxation	–	347
	<u>27,511</u>	<u>15,556</u>
Total income tax expense for the period	<u>27,511</u>	<u>15,556</u>

7 PROFIT/(LOSS) FOR THE PERIOD

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (net of amount capitalised on properties under development)	8,023	8,551
Amortisation of prepaid land lease payments	1,114	1,103
Exchange (gain)/loss	(13,572)	25,301
Loss on disposal of property, plant and equipment	12,644	431
Interest income		
– bank deposits and short-term investments	(47,473)	(108,521)
– other receivables	–	(25,505)
– entrusted loan receivables	(6,060)	(18,575)
– loans to a related party	(3,549)	(1,736)
Expenses capitalised on properties under development:		
Depreciation	60	62
Finance costs	1,174	–
Staff costs (excluding directors' emoluments)	820	858

8 DIVIDENDS

The directors do not declare any interim dividend for the six months ended 30 June 2015 and 2014 and the Company did not recommend the payment of a dividend for the year ended 31 December 2014.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of HK\$46,704,000 (for the six months ended 30 June 2014: HK\$6,161,000) attributable to the owners of the Company and on the weighted average number of 4,904,911,572 shares (for the six months ended 30 June 2014: 4,840,734,776 shares).

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

10 DEPOSITS PAID

	Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Deposits paid for acquisition of equity interests (<i>Note</i>)	61,855	–
Deposits paid for purchase of property, plant and equipment	37,587	29,181
	99,442	29,181

Notes:

As at 30 June 2015, the deposits for acquisition of equity interests represented the followings:

- (i) An amount of RMB7,425,000 (equivalent to approximately HK\$9,378,000) represented consideration paid by the Group to an indirect wholly-owned subsidiary of China Chengtong Holdings Group Limited (“**CCHG**”), in relation to the acquisition of 100% equity interest in Hainan Huandao International Travel Agency Co. Ltd., (“**Hainan Huandao**”) which is principally engaged in international inbound tourism and domestic travel business and agent services in relation to tourism in the PRC. CCHG is the ultimate holding company of the Group. The acquisition of Hainan Huandao was completed on 8 July 2015.
- (ii) An amount of RMB41,550,000 (equivalent to approximately HK\$52,477,000) represented deposit paid by the Group to a wholly-owned subsidiary of CCHG, in relation to the acquisition of 100% equity interest in Haikou Cuidao Hotspring Resort Hotel Company Limited (“**Haikou Cuidao**”), which is principally engaged in hotel management. As at the date of this announcement, the acquisition of Haikou Cuidao is not yet completed.

11 LOANS RECEIVABLE

The Group entered into 3 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 ranged from 2.5 years to 3 years from the date of inception. In addition, the ownership of leased assets will be transferred to the lessees at a purchase option of RMB1 upon the settlement of the receivable and the interest accrued under the sale and leaseback arrangements. The lessees retain control of the equipment and facilities before and after entering into the sale and leaseback arrangements which do not therefore constitute a lease for accounting purposes. Rather, the arrangements have been accounted for as a secured loan in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

	Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Analysed for reporting purposes as:		
Current assets	90,318	85,538
Non-current assets	148,433	194,173
	238,751	279,711

As at 30 June 2015, effective interest rates ranged from approximately 10.98% to 11.21% (31 December 2014: 11.53% to 12.33%) per annum.

As at 30 June 2015 and 31 December 2014, no loans receivable have been past due or impaired. The loans receivable under the sale and leaseback arrangements are secured by the leased equipment and facilities and the Group has obtained guarantees provided by the controlling shareholders of the lessees. The Group is not permitted to sell or re-pledge the collateral in absence of default by the lessees. The lessees are obliged to settle the amounts according to the terms set out in the relevant contracts.

As at 30 June 2015 and 31 December 2014, the fair value of loans receivable approximates to its carrying amount.

12 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	64,996	26,841
Bills receivable from bulk commodity trade	–	53,037
Trade and bills receivable	64,996	79,878
Prepayments and deposits	46,819	43,394
Other receivables	56,712	66,015
Consideration receivable for disposal of a subsidiary (<i>Note (b)</i>)	220,440	214,157
	388,967	403,444

Notes:

- (a) As at 30 June 2015 and 31 December 2014, trade receivables mainly arose from sales of coal. There is 20 to 60 days (31 December 2014: 10 days to 1 month) credit period granted to certain customers of coal trading business.

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

	Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Within three months	64,996	26,841

- (b) On 20 August 2014, the Company entered into the sale and purchase agreement (the “**SP Agreement**”) with Mosway Group Limited (the “**Purchaser**”), a wholly-owned subsidiary of CCHG, to dispose of the entire issued share capital and total indebtedness owing or incurred by China Chengtong Coal Investment Limited (“**Chengtong Coal**”) to the rest of the Group on or at any time prior to completion of the SP Agreement at a consideration of approximately RMB339,933,000 (equivalent to approximately HK\$429,335,000). The disposal of Chengtong Coal was completed on 19 December 2014.

Consideration of RMB169,967,000 (equivalent to approximately HK\$214,158,000) has been received by the Group during the year ended 31 December 2014, while the remaining consideration of RMB169,966,000 (equivalent to approximately HK\$214,667,000) on disposal of Chengtong Coal will be settled in cash by the Purchaser on or before 19 December 2015. Such balance bears interest at 4% per annum. The interest accrued as at 30 June 2015 was approximately HK\$5,773,000 and approximately HK\$4,317,000 was credited to profit or loss for the six months ended 30 June 2015.

13 ENTRUSTED LOAN RECEIVABLES

As at 30 June 2015, the Group had entered into one (As at 31 December 2014: two) entrusted loan arrangement with financial institutions, which represented the loan from the Group to specified borrower through bank in the PRC. In an entrusted loan arrangement, the bank acted as a trustee of the Group which entered into loan agreement with specified borrower. The borrower repaid the loan to the bank and then the bank returned the principal and accrued interest to the Group. While the bank exercises supervision over and receives repayment from the borrower, the bank does not assume any risk of default in repayment by the borrower. As at 30 June 2015 and 31 December 2014, all entrusted loan receivables carry fixed-rate interests and the contractual maturity dates are within one year from the respective date of borrowings. Effective interest rates (which are equal to contractual interest rates) of the Group's entrusted loan receivables was 13% (As at 31 December 2014: 13%) per annum.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Unlisted investments, at cost	138,930	–

During the six months ended 30 June 2015, the Group invested in several trusts with principal amount of approximately HK\$138,930,000. Within the available-for-sale financial assets, balance of HK\$101,040,000 was not subject to maturity that the Group can redeem the investments with the trusts at anytime with immediate effect while balance of HK\$37,890,000 was subject to maturity for 1 year. The trusts do not have quoted market prices in an active market and those fair value cannot be reliably measured. These available-for-sale financial assets are measured at cost less any identified impairment losses (if any) at the end of the reporting period.

None of the available-for-sale financial assets is either past due or impaired as at 30 June 2015.

15 SHORT-TERM INVESTMENTS

The Group purchased short-term investments from major banks in the PRC.

As at 30 June 2015, the balance was subject to maturity ranged from 90 days to 1 year (As at 31 December 2014: HK\$594,720,000 was subject to maturity ranged from 60 days to 1 year). The estimated return from these short-term investments ranged from 3.5% to 5.5% (At 31 December 2014: 4.5% to 5.5%) per annum. The accrued and unpaid interest will be received upon redemption of the investment from the banks. The directors of the Company consider that the carrying value of short-term investments approximate their fair value at the end of the reporting period as it is highly liquid and credit risk involved is insignificant.

As at 30 June 2015, short-term investments of HK\$429,420,000 and HK\$15,156,000 were pledged to secure bills payable (note 16) and short-term bank loans (note 17) of the Group respectively (As at 31 December 2014: HK\$428,400,000 and HK\$15,120,000 were pledged to secure the bills payable and short-term bank loans respectively).

16 TRADE AND OTHER PAYABLES

	Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Trade payables	17,730	17,398
Other payables and accruals	39,096	99,704
Bills payable for purchase of bulk commodity (<i>Note</i>)	1,079,994	2,603,097
Accrual of construction costs	51,374	78,010
	<u>1,188,194</u>	<u>2,798,209</u>

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 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Within one year	14,893	14,337
Over one year but less than two years	2,837	3,061
	<u>17,730</u>	<u>17,398</u>

Note:

As at 30 June 2015, bills payable of approximately HK\$1,079,994,000 (As at 31 December 2014: HK\$2,603,097,000) were secured by bank deposits and short-term investments of approximately HK\$605,055,000 and HK\$429,420,000 respectively (As at 31 December 2014: secured by bank deposits, structured bank deposits and short-term investments of approximately HK\$1,772,982,000, HK\$183,960,000 and HK\$428,400,000 respectively).

17 BANK BORROWINGS

	Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Secured bank borrowings		
Discounted bills with recourse	–	53,037
Short-term bank loans	<u>15,156</u>	<u>15,120</u>
	<u>15,156</u>	<u>68,157</u>

18 CORPORATE BONDS

	Unaudited At 30 June 2015 <i>HK\$'000</i>	Audited At 31 December 2014 <i>HK\$'000</i>
Corporate bonds	<u>730,147</u>	<u>721,610</u>

The corporate bonds are fixed rate bonds issued by the Company (the “**Bonds**”) on 9 May 2014 with a principal amount of RMB600,000,000 and a fixed interest at 4.0% per annum.

The Bonds will mature on 9 May 2017 and are guaranteed by an irrevocable standby letter of credit denominated in RMB issued by Agricultural Bank of China Limited, Beijing Branch. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting taxes of Hong Kong or the PRC. At any time following the occurrence of a change of control, the holder of any Bonds will have the right, at such holder’s option, to require the Company to redeem all, but not some, of that holder’s Bonds at their principal amount plus accrued interest to the change of control put date. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the maturity date.

Net proceeds from the issue of the Bonds was reduced by transaction costs amounted to approximately RMB34,248,000. The effective interest rate of the Bonds is approximately 6.11% per annum.

19 SHARE CAPITAL

	Unaudited		Audited	
	At 30 June 2015		At 31 December 2014	
	Number of	Share	Number of	Share
	shares	capital	shares	capital
	'000	HK\$'000	'000	HK\$'000
Issued and fully paid				
At 1 January (audited)	4,840,735	1,224,214	4,840,735	484,074
Subscription of shares during the period (<i>Note (a)</i>)	968,000	977,680	–	–
Share issuance expenses	–	(16,018)		
Transfer from share premium and capital redemption reserve (<i>Note (b)</i>)	–	–	–	740,140
	<u>–</u>	<u>–</u>	<u>–</u>	<u>740,140</u>
At period (unaudited)/ year ended (audited)	<u>5,808,735</u>	<u>2,185,876</u>	<u>4,840,735</u>	<u>1,224,214</u>

Notes:

- (a) On 13 June 2015, (1) the Company, the Company's immediate holding company and the placing agent entered into a placing agreement pursuant to which the immediate holding company of the Company appointed the placing agent to procure places for a maximum of 968,000,000 existing shares at the placing price of HK\$1.01 per placing shares; and (2) the Company and the Company's immediate holding company entered into a subscription agreement pursuant to which the immediate holding company of the Company conditionally agreed to subscribe for a maximum of 968,000,000 new shares at the subscription price of HK\$1.01 per subscription share. The placing of shares was completed on 17 June 2015 and the subscription of shares was completed on 19 June 2015. A total of 968,000,000 existing shares have been placed at the placing price of HK\$1.01 per shares and a total of 968,000,000 new shares were subscribed by the immediate holding company of the Company at HK\$1.01 per subscription share. Net cash proceeds of HK\$961,662,000 have been received by the Company.
- (b) A new Companies Ordinance (Cap. 622) ("new CO") came into effect on 3 March 2014. The new CO abolishes the concepts of authorised share capital, par value, share premium and capital redemption reserve, in respect of the share capital of Hong Kong companies. As a result, the amounts of share premium and capital redemption reserve of the Company were transferred to the share capital.

20 COMMITMENTS

(a) Capital commitments

	Unaudited	Audited
	At 30 June	At 31 December
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for		
Purchase of property, plant and equipment	<u>10,155</u>	<u>18,446</u>

(b) Other commitments

On 16 June 2015, the Group entered into the sale and purchase agreement in relation to the acquisition of 100% equity interests in Haikou Cuidao at the consideration of approximately HK\$174,925,000. As of 30 June 2015, the Group had paid cash of HK\$52,477,000 to the vendor as deposit payment pursuant to the payment schedule as specified in the sale and purchase agreement. For the remaining consideration, the Group had commitment, which is contracted but not provided for under the sale and purchase agreement of approximately HK\$122,448,000.

21 CONTINGENT LIABILITIES

As at 30 June 2015, the Group had contingent liabilities in relation to guarantees of approximately HK\$155,014,000 (As at 31 December 2014: HK\$138,365,000) given to banks in respect of mortgage loans granted to purchasers of certain property units in the PRC.

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

As at 30 June 2015, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the directors to be pending or threatened against the Company or any of its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS AND DIVIDEND

Since February 2015, the Group has temporarily suspended its bulk commodity trade business and only retained its coal trading business which mainly consisted of coal blending on behalf of customers. It also accelerated the transformation and upgrade of the marine travelling service business, maintained the financial leasing business and continued the development of property development and property investment business. In terms of results, despite the decrease in turnover due to temporary suspension of the bulk commodity trade business by the Group in February 2015, the consolidated gross profit margin increased by approximately 16% from approximately 6% in the first half of last year to approximately 22% in the first half of the current year. The Group's profitability during the period has improved from consolidated loss after tax to consolidated profit after tax as compared with the same period of last year. In terms of financial position, the Group's level of indebtedness further reduced after receipt of net proceeds from top-up placing. The debt to equity ratio decreased from approximately 39% as at 31 December 2014 to approximately 25% as at 30 June 2015. The Group's asset liquidity also improved as a result of the disposal of the Group's land assets. The Group's net current assets increased by approximately 45% from approximately HK\$2,267.22 million as at 31 December 2014 to approximately HK\$3,286.09 million as at 30 June 2015.

During the period under review, the Group recorded a turnover of approximately HK\$259.64 million (same period of last year: approximately HK\$547.56 million), representing a dramatic decrease of approximately 53% as compared to that in the same period of last year. The decrease in turnover was mainly due to the fact that the Group has temporarily suspended its bulk commodity trade business since February 2015 as the demand of bulk commodities in China has no signs of improvement.

During the period under review, the Group recorded consolidated profit after tax of approximately HK\$45.98 million (same period of last year: consolidated loss after tax of approximately HK\$16.02 million). The main reasons for the profit recorded in the period are as follows: (i) there was an increase in the income from the financial lease business which has resumed during the period; (ii) exchange gains were recorded due to the appreciation of Renminbi during the period; (iii) the substantial decrease in the bulk commodity trade business during the period has led to a decrease in the relevant finance costs; and (iv) a prepayment in the amount of approximately HK\$17.17 million that had been impaired in the previous years was reversed during the period.

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2015 (as at 30 June 2014: Nil).

II. BUSINESS REVIEW

Segment revenue and results

During the period under review, the Group is principally engaged in hotel and marine travelling services, property development and property investment, financial leasing, bulk commodity trade and trading of coal.

(1) Hotel and Marine Travelling Services

The Group was mainly engaged in hotel operation and provision of marine travelling services in Hainan Province, the PRC. The turnover from marine travelling services was approximately HK\$28.61 million (same period of last year: approximately HK\$27.20 million), with a gross profit margin of approximately 72% (same period of last year: approximately 70%), representing an increase of approximately 5% and 2% as compared with the same period of 2014, respectively. In the aspect of hotel operations, as the hotels will be demolished for reconstruction, the Group has reduced its investment in hotel maintenance. Despite a slight increase in occupancy rate, with the decrease in the average room rate of the hotel of approximately 10% during the period, combining with the discontinuation of the hotel catering business, the turnover decreased by approximately 20% from approximately HK\$7.91 million in the same period of last year to approximately HK\$6.32 million during the period. Despite the drop in the average room rate of hotel during the period, the Group proactively controlled the cost, leading to an increase of approximately 11% in the gross profit margin of hotel business to approximately 88% during the period as compared with that of approximately 77% in the same period of last year. However, as the marine platform, the equipment used for operating marine travelling service, had been destroyed by typhoon last year and could no longer be used, the Group disposed the related assets during the period. The loss incurred from the disposal of related assets (net of insurance compensation) was approximately HK\$5.77 million, leading to a dramatic decrease of profit for the period as compared with the same period of last year. The above, together with income from other businesses, generated a consolidated turnover of approximately HK\$34.93 million (same period of last year: approximately HK\$35.11 million) and consolidated profit of approximately HK\$5.46 million (same period of last year: approximately HK\$11.42 million) for the Group, representing a decrease of approximately 0.5% and 52% as compared to that in the same period of 2014, respectively.

(2) *Property Development and Property Investment*

Property Development

In the first half of 2015, turnover and profits from the property development segment amounted to approximately HK\$51.51 million (same period of last year: approximately HK\$43.40 million) and approximately HK\$10.02 million (same period of last year: approximately HK\$11.94 million) respectively, representing an increase of approximately 19% and a decrease of 16% respectively as compared to that in the same period of 2014. The Group's revenue from property development was from CCT-Champs-Elysees project in Zhucheng of Shandong Province as follows:

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

During the period, CCT-Champs-Elysees project, which is wholly owned by the Group in Zhucheng of Shandong Province, was developed in three phases. In the first half of 2015, residential apartments of approximately 8,277 square metres, commercial space of approximately 384 square metres and underground ancillary apartments of approximately 279 square metres (same period of last year: approximately 6,728 square metres, 326 square metres and 409 square metres, respectively), 1 underground parking space (same period of last year: 7 underground parking spaces and 12 over ground parking spaces) of phase I and phase II of the project were sold and delivered. The average unit selling price per square metre for residential apartments and commercial spaces are approximately HK\$5,768 (same period of last year: approximately HK\$5,998) and HK\$9,516 (same period of last year: approximately HK\$9,496) respectively, representing a decrease of 3.8% and an increase of 0.2% respectively as compared to the average unit selling price of residential apartments and commercial spaces in the same period of last year. This project recorded total revenue from the sales of properties of approximately HK\$51.51 million (same period of last year: approximately HK\$43.40 million), gross profit margin of approximately 25% (same period of last year: 33%) and profit of approximately HK\$11.24 million (same period of last year: approximately HK\$12.38 million), representing an increase of HK\$8.11 million, a decrease of approximately 8% and a decrease of HK\$1.14 million, respectively as compared to that in the same period of 2014.

As at 30 June 2015, the area of the unsold or sold-but-not-delivered space of phase I and phase II of CCT Champs-Elysees project included residential apartments of approximately 37,433 square metres (as at 31 December 2014: approximately 45,710 square metres) and commercial spaces of approximately 1,652 square metres (as at 31 December 2014: approximately 2,036 square metres) (excluding the leased area of approximately 4,849 square metres (as at 31 December 2014: approximately 4,849 square metres)).

Construction works of phase III of CCT-Champs-Elysees project have started and are expected to be completed and delivered in 2016 to 2020 respectively.

(ii) Dafeng of Jiangsu Province — Chengtong International City

The initial development area of “Chengtong International City”, 66.67% equity interests of which were held by the Group, located in Dafeng City of Jiangsu Province of the PRC was developed in two sections. During the period under review and the same period of last year, as no sales revenue has been recorded for this project, therefore, a loss of approximately HK\$1.22 million (same period of last year: a loss of approximately HK\$0.19 million) was recorded during the period.

As at 30 June 2015, the unsold or sold-but-not-delivered saleable area of serviced apartments, commercial units (along with ancillary facilities) and office buildings of section I of the initial development area of “Chengtong International City” were approximately 344 square metres, 6,364 square metres and 3,176 square metres, respectively. The unsold or sold-but-not-delivered saleable area of residential apartments of section II was approximately 12,648 square metres, which is the same as the unsold or sold-but-not-delivered saleable area of serviced apartments, commercial units (along with ancillary facilities) and office buildings as at 31 December 2014.

Property Investment

Property lease

The rental income from property lease of the Group mainly came from CCT-Champs-Elysees project in Zhucheng of Shandong Province as follows:

Zhucheng of Shandong Province — CCT-Champs-Elysees

As at 30 June 2015, the leased area of phase I of CCT-Champs-Elysees project, the entire interests of which were held by the Group, located in Zhucheng of Shandong Province was approximately 4,849 square metres (as at 30 June 2014: approximately 3,965 square metres), representing an increase of approximately 884 square metres as compared to that of the same period of last year. During the period under review, the rental income from the property lease of CCT-Champs-Elysees project amounted to approximately HK\$0.95 million (same period of last year: approximately HK\$0.85 million), representing an increase of approximately 12% as compared with the same period of 2014. The increase in rental income was mainly due to the increase in leased area and rental income per square metre during the period as compared with the same period of last year.

Land Resources Development

The Group will continue to exit the property development business with lower profitability in certain tier-3 and tier-4 cities as opportunities arise. During the period, the Group has proactively pursued to dispose the following land resources:

Land in Dafeng of Jiangsu Province

誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited), a non-wholly owned subsidiary of the Company, holds 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 (“**Dafeng Harbour Committee**”) and two compensation agreements with Dafeng Harbour Committee and 江蘇大豐海港控股集團有限公司 (unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited) in relation to the resumption of two plots of land in Dafeng of Jiangsu Province at the total compensation amount of RMB219.92 million (equivalent to approximately HK\$277.10 million). Details of the resumption of land are set out in the Company’s announcement dated 3 July 2014. However, the compensation amount has not been finalised and the resumption of land has not been completed as at 30 June 2015 and the date of this announcement.

(3) *Financial Leasing*

In the first half of 2015, the Group recorded income from financial leasing business of HK\$14.38 million, while there is no revenue recorded in the same period of last year. The income from financial leasing business recorded during the period was attributable to the three financial leasing transactions entered into and completed during 2014 with a total amount of financing of approximately HK\$302.40 million and the handling fees and full interests totalling approximately HK\$58.23 million. These amounts were included in the profit or loss during the period over the term of the financial lease in accordance with the Hong Kong Accounting Standards. Profit for the period was approximately HK\$11.18 million (same period of last year: a loss of approximately HK\$0.54 million), representing a significant increase of approximately HK\$11.72 million as compared to that in the same period of 2014, which was attributable to the fact that no financial leasing transaction was entered into during the same period of last year.

(4) *Bulk Commodity Trade and Trading of Coal*

Bulk Commodity Trade

As the demand for bulk commodity in the PRC has not improved, the Group only completed one bulk commodity transaction during the period. Since February 2015, the Group has temporarily suspended its bulk commodity trade business, which has led to a drastic decrease in the sales during the period as compared to that in the same period of last year. The turnover and cost of sales of bulk commodity trade recorded during the period were substantially the same at HK\$4.66 million. The above transactions were recognised as turnover (net of cost of sales) in accordance with the Hong Kong Accounting Standards, resulting in a turnover of approximately HK\$0 (same period of last year: approximately HK\$468.19 million). The consolidated interest income from bulk commodity trade business amounted to approximately HK\$45.59 million (same period of last year: approximately HK\$102.59 million). After deducting the relevant finance costs of approximately HK\$1.00 million (same period of last year: approximately HK\$85.61 million), the net interest income amounted to approximately HK\$44.59 million (same period of last year: approximately HK\$16.98 million), representing an increase of approximately HK\$27.61 million as compared with the same period of last year. Other income included the reversal of impairment of prepayment of approximately HK\$17.17 million and exchange gains of approximately HK\$10.06 million; as such, the profit for the first half of the current year was approximately HK\$52.93 million, as compared to the loss of approximately HK\$49.86 million for the same period of last year.

Trading of Coal

In the first half of 2015, the coal market was under the influence of the weak demand of the downstream industry, unstable weather and pressure on environmental protection, leading to a prolonged drop in the domestic coal consumption. The Group commenced its coal processing and sales business in November 2014. However, as the business was still in a developing stage, the sales volume did not improve significantly. During the period, the sales volume of coal processing and trade was approximately 0.30 million tonnes. The unit selling price was approximately HK\$520 per tonne and turnover was approximately HK\$157.86 million (same period of last year: Nil). Profit for the period was approximately HK\$1.74 million (same period of last year: loss of approximately HK\$0.64 million), representing a significant increase of approximately HK\$2.38 million as compared to that in the same period of 2014, which was attributable to the fact that no operation of coal trade was conducted during the same period of last year.

Other income

In the first half of 2015, other income and gains amounted to approximately HK\$105.13 million (same period of last year: approximately HK\$163.41 million), representing a decrease of approximately HK\$58.28 million or approximately 36% as compared to that in the same period of last year. Other income during the period mainly included: the consolidated interest income from bulk commodity trade business of approximately HK\$45.59 million (same period of last year: approximately HK\$102.59 million), exchange gains of approximately HK\$13.57 million (same period of last year: exchange losses of approximately HK\$25.30 million), reversal of prepayment fully impaired in previous years but recovered of approximately HK\$17.17 million (same period of last year: Nil), insurance compensation income from loss of fixed assets of approximately HK\$6.89 million (same period of last year: Nil), and interest income from entrusted loan receivables of approximately HK\$6.06 million (same period of last year: approximately HK\$18.58 million).

Selling and administrative expenses

In the first half of 2015, selling expenses amounted to approximately HK\$7.34 million (same period of last year: approximately HK\$7.82 million), representing a decrease of approximately HK0.48 million as compared to that in the same period of last year, which was mainly attributable to the fact that the Group ceased to engage in agency sales services for its property development business, leading to a decrease in the related commission cost.

Administrative expenses for the period under review amounted to approximately HK\$60.66 million (same period of last year: approximately HK\$82.90 million), representing a decrease of approximately HK\$22.24 million as compared with the same period of last year. The decrease was mainly attributable to the exchange losses of approximately HK\$25.30 million resulting from the depreciation of RMB against USD and Hong Kong dollars during the same period of last year, while there were exchange gains of approximately HK\$13.57 million resulting from the appreciation of RMB against USD and Hong Kong dollars in the first half of 2015. In addition, staff costs amounted to approximately HK\$24.98 million (same period of last year: approximately HK\$23.82 million), representing an increase of approximately 5% as compared with the same period of last year. The Group will continue to control its costs and expenditure to enhance its competitiveness and profits.

Finance costs

Finance costs incurred by the Group in the first half of 2015 amounted to approximately HK\$21.73 million (same period of last year: approximately HK\$106.68 million), representing a dramatic decrease of approximately HK\$84.95 million or approximately 80% as compared to that in the same period of 2014. Finance costs mainly included consolidated finance costs of bulk commodity trade business which amounted to approximately HK\$0.71 million (same period of last year: approximately HK\$77.30 million), interest expenses of bank loans and other loans amounted to approximately HK\$0.29 million (same period of last year: approximately HK\$8.31 million) and interest expenses and amortisation costs of bonds issuance of the Company which amounted to approximately HK\$20.73 million (same period of last year: approximately HK\$21.06 million), representing a decrease of approximately 99%, 97% and 2% as compared with the same period of last year for consolidated finance costs of bulk commodity trade business, interest expenses of bank loans and other loans, and interest expenses and amortisation costs of bonds issuance, respectively. The significant decrease in finance costs was mainly due to the temporary suspension of bulk commodity trade finance business by the Group during the period.

III. OUTLOOK

Currently, the Group is engaged in hotel and marine travelling services, property development and property investment, financial leasing as well as trading of bulk commodity and coal.

Since last year, in consideration of both the internal and external environments and industrial changes, the Group has made adjustments on the business structure and temporarily suspended its bulk commodity trade business and coal resources acquisition projects. The results of the Group's various business adjustments emerged gradually in the first half of the current year. Despite a decrease in turnover, profitability has enhanced significantly and the asset liability structure continued to improve. Meanwhile, the Board issued certain new shares under the general mandate, which has improved the capital base of the Company. The Group will focus on its major resources on the development of properties or projects with relative competitive advantages in the future.

In terms of hotel and marine travelling services, in order to further integrate travelling resources, the Group acquired Hainan Huandao in the beginning of the current year and established 椰殼旅行網 (unofficial English translation being Yeke Trip Website) (“Yeke Trip Website”) (www.yeketrip.com), through which the Group intends to expand its online tourism business by providing customised service. At the end of June, 寰島蛟龍號 (unofficial English translation being Huandao Dragon Cruise) (“Huandao Dragon Cruise”), the first transparent sightseeing submarine in China which was jointly developed by the Group and 中船重工702所 (unofficial English translation being The 702nd Research Institute of China Shipbuilding Industry Corporation) (“CSIC 702 Research Institute”), has now been delivered to the sea area of Yalong Bay. As this is the initial application of deep diving technology in tourism business, the outlook of this national-class “Dragon Cruise” is therefore promising. It is expected to commence operation within this year after obtaining various government approvals. Looking forward, the Group will continue to make greater efforts in its marine travelling business and proactively identify new travelling resources in Hainan and other districts. It also intends to achieve rapid expansion of its business scale through merger and acquisition, cultivate new profit growth points and establish a sustainable development model.

In terms of property development and property investment, the Group has set up certain research and investigation teams to actively demonstrate the feasibility of combining “real estates” (such as hotels, office buildings, resorts, commercial properties, etc.) held by the Group and its connected parties with existing business or business with huge potentials. In the first half of the current year, the Group carried out the acquisition project of Haikou Cuidao, through which the Group intended to utilise its existing quality real estates and land resources to develop hot spring resort hotels or elderly healthcare business, which will bring synergistic effect to its existing business. Meanwhile, considering the prospective outlook and market potential for the development of the elderly healthcare industry in China, the Group has continued to step up its efforts on research and exploration of the elderly healthcare industry since last year. Looking forward, the Group will continue to heighten its emphasis on this area and intends to tap into the elderly healthcare industry by seizing the opportunities to create specific benchmark projects, with a view to expand the Company’s business scope and enhance its profitability.

In terms of financial leasing business, the Group has resumed its financial leasing business and completed the investment in several projects in the first half of last year. In the first half of the year, the Group further enhanced its business development and management capabilities, and has invested in a number of quality projects in various areas, including government infrastructure, energy-saving and environmental protection, and manufacture of high-end equipment.

In terms of coal trade business, the Group has relocated its place of business and registration to Gaolan Port in Zhuhai. The Group intends to utilise the resource advantages of its customers to carry out high value-added coal blending business. However, in view of the existing downward trend of the coal price, the Company will pay close attention to the changes in the macroeconomic situation and carry out the related businesses in a cautious manner.

In this new round of reforms for state-owned corporations, as a trial operation company for state-owned assets, CCHG, the controlling shareholder of the Group is likely to participate in the reform and reorganization of central enterprises in the future. As the only overseas listing platform for the controlling shareholder, the Group enjoyed certain advantages during the process of securitization of the controlling shareholder's assets. This will provide excellent opportunities for the Group's future rapid development. The Group will also further adjust and optimize its strategies and speed up the development based on the changes in situation. The Board is full of confidence in the future development of the Group.

DEBT TO EQUITY RATIO

As at 30 June 2015, the interest-bearing bank borrowings, corporate bonds and other loans of the Group were approximately HK\$15.16 million (as at 31 December 2014: approximately HK\$68.16 million), HK\$730.15 million (as at 31 December 2014: approximately HK\$721.61 million) and HK\$0.60 million (as at 31 December 2014: approximately HK\$0.60 million) respectively, representing a decrease of approximately 78% in interest-bearing bank borrowings and an increase of approximately 1% in corporate bonds while other loans remained the same as compared with that as at 31 December 2014. As at 30 June 2015, the total borrowings amounted to approximately HK\$745.91 million (as at 31 December 2014: approximately HK\$790.37 million), representing a decrease of approximately HK\$44.46 million or approximately 6% as compared with the total borrowings as at 31 December 2014. The debt to equity ratio (expressed as the sum of interest-bearing bank borrowings and corporate bonds divided by total equity) declined from approximately 39% as at 31 December 2014 to approximately 25% as at 30 June 2015. The decline in debt to equity ratio was mainly due to the decrease in bulk commodity trade and financing business conducted during the period.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy and stable. As at 30 June 2015, the Group had cash and bank balances (including pledged bank deposits and structured bank deposits) of approximately HK\$2,507.44 million (as at 31 December 2014: approximately HK\$3,165.70 million), and current assets and current liabilities of approximately HK\$4,552.52 million (as at 31 December 2014: approximately HK\$5,218.94 million) and HK\$1,266.43 million (as at 31 December 2014: approximately HK\$2,951.72 million) respectively. The net current assets increased by approximately 45% from approximately HK\$2,267.22 million as at 31 December 2014 to approximately HK\$3,286.09 million as at 30 June 2015.

On 17 June 2015, the Company completed the top-up placing of 968,000,000 shares in total to not fewer than six places at the placing price of HK\$1.01 per placing share. The number of subscription shares represented (i) approximately 20.00% of the Company's issued share capital immediately before the completion of the top-up placing; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the issue of the subscription shares under the top-up placing. The net proceeds from the subscription were approximately HK\$962 million.

TREASURY POLICIES

The business activities and operation of the Group are mainly carried out in Mainland China and Hong Kong, with transactions denominated in Hong Kong dollars, Renminbi and US dollars, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised. At times of interest rate or exchange rate uncertainty or volatility and where appropriate, hedging instruments including swap and forward contracts are used against the exposure to interest rate and foreign exchange rate fluctuations.

The Group's borrowings are principally on a floating rate basis and where appropriate, swap contracts are arranged to convert the rates and related terms of fixed rate notes issued to a floating rate basis.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2015, the Group employed a total of 288 employees (as at 31 December 2014: 314), of which 13 (as at 31 December 2014: 12) were based in Hong Kong and 275 (as at 31 December 2014: 302) were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the Directors are decided by the remuneration committee of the Company ("**Remuneration Committee**"), having regard to the Company's corporate goals, their individual performance 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 Group has also adopted a share award scheme ("**Share Award Scheme**") under which shares of the Company will be awarded, with the approval of the Board, to selected employees to recognise their contributions and to give them incentives thereto in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group.

PLEDGE OF ASSETS

As at 30 June 2015, bills payable of approximately HK\$1,079.99 million (At 31 December 2014: approximately HK\$2,603.10 million) were secured by bank deposits and short-term investments of approximately HK\$605.06 million and HK\$429.42 million respectively (At 31 December 2014: secured by bank deposits, structured bank deposits and short-term investments of approximately HK\$1,772.98 million, HK\$183.96 million and HK\$428.40 million respectively).

As at 30 June 2015, short-term bank loans of approximately HK\$15.16 million (as at 31 December 2014: approximately HK\$15.12 million) were secured by short-term investment of approximately HK\$15.16 million (as at 31 December 2014: approximately HK\$15.12 million).

As at 30 June 2015, pledged bank deposits of approximately HK\$605.06 million and HK\$1.84 million were pledged for bills payable and pledged against banking facilities granted to mortgagees respectively (as at 31 December 2014: amount pledged for bills payables: approximately HK\$1,772.98 million and amount pledged against banking facilities granted to mortgagees: approximately HK\$1.83 million).

COMMITMENTS & CONTINGENT LIABILITIES

Please refer to notes 20 and 21 to the condensed consolidated financial statements in this announcement.

POST REPORTING DATE EVENT

On 22 January 2015, 海南寰島酒店旅遊投資有限公司, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an indirect wholly-owned subsidiary of CCHG to acquire 100% equity interest of Hainan Huandao at the consideration of approximately RMB7,425,000 (equivalent to approximately HK\$9,378,000). The acquisition was completed on 8 July 2015.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, 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 2015.

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 2015.

REVIEW OF ACCOUNTS

The Board is of the view that the disclosure of financial information in this announcement complies with Appendix 16 of 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 2015, 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 Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/chengtong. The 2015 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
Wang Hongxin
Managing Director

Hong Kong, 25 August 2015

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