



**中國誠通發展集團有限公司**  
**China Chengtong Development**  
**Group Limited**

## 2014 Interim Report



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Yuan Shaoli (*Chairman*)  
Wang Hongxin (*Managing Director*)  
Wang Tianlin  
Zhang Bin

### Independent Non-Executive Directors

Chang Qing  
Lee Man Chun, Tony  
Chan Sheung Lai

## AUDIT COMMITTEE

Chan Sheung Lai (*Chairman*)  
Lee Man Chun, Tony  
Chang Qing

## REMUNERATION COMMITTEE

Lee Man Chun, Tony (*Chairman*)  
Chan Sheung Lai  
Yuan Shaoli

## NOMINATION COMMITTEE

Yuan Shaoli (*Chairman*)  
Lee Man Chun, Tony  
Chan Sheung Lai

## COMPANY SECRETARY

Tse Ching Wah

## AUDITOR

BDO Limited  
*Certified Public Accountants*  
Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China Limited, Hong Kong Branch  
Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd., Hong Kong Branch  
China CITIC Bank International Limited  
Industrial and Commercial Bank of China  
DBS Bank Limited, Hong Kong Branch  
Overseas-Chinese Banking Corporation Limited  
Taipei Fubon Commercial Bank Company Limited,  
Hong Kong Branch  
The Hongkong and Shanghai Banking  
Corporation Limited

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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64/F., Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong  
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Fax: (852) 2160-1608

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[www.hk217.com](http://www.hk217.com)  
E-mail: [public@hk217.com](mailto:public@hk217.com)

## SHARE REGISTRAR & TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17/F, Hopewell Centre  
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## STOCK CODE

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# INDEPENDENT REVIEW REPORT



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永安中心25樓

**To the Board of Directors of China Chengtong Development Group Limited 中國誠通發展集團有限公司**  
*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 32, which comprises the condensed consolidated statement of financial position of China Chengtong Development Group Limited as of 30 June 2014 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim financial information.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with HKAS 34.

**BDO Limited**  
*Certified Public Accountants*  
**Lam Hung Yun, Andrew**  
Practising Certificate Number P04092

Hong Kong, 26 August 2014

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	Notes	Unaudited	
		Six months ended 30 June 2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>	3	<b>547,556</b>	8,231,871
Cost of sales		<b>(515,102)</b>	(8,280,175)
<b>Gross profit/(loss)</b>		<b>32,454</b>	(48,304)
Other income	4	<b>163,413</b>	199,559
Selling expenses		<b>(7,818)</b>	(15,949)
Administrative expenses		<b>(82,895)</b>	(68,446)
Fair value gain on investment properties		<b>1,386</b>	3,931
Fair value (loss)/gain on held-for-trading securities		<b>(333)</b>	6,150
Fair value gain on derivative financial instruments		<b>—</b>	2,827
Finance costs	5	<b>(106,675)</b>	(139,890)
<b>Loss before income tax</b>		<b>(468)</b>	(60,122)
Income tax expense	6	<b>(15,556)</b>	(22,614)
<b>Loss for the period</b>	7	<b>(16,024)</b>	(82,736)
<b>Profit/(loss) for the period attributable to :</b>			
Owners of the Company		<b>6,161</b>	(58,263)
Non-controlling interests		<b>(22,185)</b>	(24,473)
		<b>(16,024)</b>	(82,736)
<b>Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the period</b>	9	<b>HK cent</b>	HK cent
Basic		<b>0.13</b>	(1.20)
Diluted		<b>N/A</b>	N/A

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June 2014 HK\$'000	2013 HK\$'000
<b>Loss for the period</b>	<b>(16,024)</b>	(82,736)
<b>Other comprehensive income</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statement of foreign operations	<b>(23,501)</b>	40,772
<b>Total comprehensive income for the period</b>	<b>(39,525)</b>	(41,964)
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<b>(15,880)</b>	(21,308)
Non-controlling interests	<b>(23,645)</b>	(20,656)
	<b>(39,525)</b>	(41,964)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	Unaudited At 30 June 2014 HK\$'000	Audited At 31 December 2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	199,832	209,097
Prepaid land lease payments	10	52,879	54,496
Investment properties	10	187,375	187,760
Deposits paid	11	20,866	358,144
		<b>460,952</b>	809,497
<b>Current assets</b>			
Properties held for sale		83,792	111,641
Properties under development		302,150	283,996
Properties held for development		311,006	313,968
Inventories		5,101	5,583
Trade and other receivables	12	6,307,133	11,709,593
Amount due from a non-controlling shareholder of a subsidiary	13	20,986	20,488
Loan to a related party	14	51,224	50,880
Prepaid land lease payments	10	2,007	2,026
Entrusted loan receivables	15	134,846	363,744
Held-for-trading securities	16	1,775	2,108
Short-term investments	17	94,715	2,814,314
Structured bank deposits	18	516,600	—
Pledged bank deposits	19	473,225	676,073
Bank balances and cash		914,139	2,557,297
		<b>9,218,699</b>	18,911,711
<b>Current liabilities</b>			
Trade and other payables	20	1,018,638	7,287,370
Deposits received on sale of properties		75,553	59,306
Taxation payable		35,679	62,515
Bank borrowings	21	5,648,832	9,273,700
Unsecured other loans		600	600
Corporate bonds	22	—	761,528
		<b>6,779,302</b>	17,445,019

**CONDENSED CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION** *(Continued)*

*As at 30 June 2014*

<i>Notes</i>	<b>Unaudited At 30 June 2014 HK\$'000</b>	<b>Audited At 31 December 2013 HK\$'000</b>
	<b>2,439,397</b>	1,466,692
	<b>2,900,349</b>	2,276,189
	<b>58,503</b>	58,569
22	<b>714,781</b>	—
	<b>773,284</b>	58,569
	<b>2,127,065</b>	2,217,620
<b>EQUITY</b>		
	<b>1,224,214</b>	484,074
23	<b>727,585</b>	1,483,309
	<b>1,951,799</b>	1,967,383
	<b>175,266</b>	250,237
	<b>2,127,065</b>	2,217,620



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Equity attributable to the owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000 (note)	Shares held for share award scheme HK\$'000	Employee share based compensation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits/(losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>Unaudited for the six months ended 30 June 2013</b>												
<b>At 1 January 2013 (Audited)</b>	484,074	738,740	1,400	2,814	11,872	(1,999)	369	91,307	513,412	1,841,989	228,984	2,070,973
Employee share-based compensation benefits	—	—	—	—	—	—	333	—	—	333	—	333
<b>Transactions with owners</b>	—	—	—	—	—	—	333	—	—	333	—	333
Loss for the period	—	—	—	—	—	—	—	—	(58,263)	(58,263)	(24,473)	(82,736)
Other comprehensive income for the period:												
Exchange difference arising on translation of financial statements of foreign operations	—	—	—	—	149	—	—	36,806	—	36,955	3,817	40,772
<b>Total comprehensive income for the period</b>	—	—	—	—	149	—	—	36,806	(58,263)	(21,308)	(20,656)	(41,964)
<b>At 30 June 2013 (Unaudited)</b>	484,074	738,740	1,400	2,814	12,021	(1,999)	702	128,113	455,149	1,821,014	208,328	2,029,342
<b>Unaudited for the six months ended 30 June 2014</b>												
<b>At 1 January 2014 (Audited)</b>	484,074	738,740	1,400	2,814	18,942	(1,999)	—	702	165,401	557,309	1,967,383	2,217,620
Additional interests in a subsidiary acquired by the Group	—	—	—	—	—	—	296	—	—	—	296	—
Dividend paid to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(51,030)	(51,030)
<b>Transactions with owners</b>	—	—	—	—	—	—	296	—	—	—	296	(51,326)
Profit/(loss) for the period	—	—	—	—	—	—	—	—	6,161	6,161	(22,185)	(16,024)
Other comprehensive income for the period:												
Exchange difference arising on translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	(22,041)	—	(22,041)	(1,460)
<b>Total comprehensive income for the period</b>	—	—	—	—	—	—	—	—	(22,041)	6,161	(15,880)	(39,525)
Transfer to share capital (note 23)	740,140	(738,740)	(1,400)	—	—	—	—	—	—	—	—	—
<b>At 30 June 2014 (Unaudited)</b>	1,224,214	—	—	2,814	18,942	(1,999)	296	702	143,360	563,470	1,951,799	2,127,065

**Note:** Statutory reserve represents the Group's share of statutory reserves of the subsidiaries in the People's Republic of China (the "PRC"), which is based on 10% profit for the year of these subsidiaries. Such statutory reserve is non-distributable and to be used to (i) make up prior years' losses or (ii) expand production operations of these subsidiaries.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Unaudited	
		Six months ended 30 June 2014 HK\$'000	2013 HK\$'000
<b>Net cash (used in)/generated from operating activities</b>		<b>(588,495)</b>	612,152
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	10	(2,066)	(338)
Purchase of short-term investments		(94,715)	(3,556,378)
Settlement of short-term investments		2,787,764	445,880
Interest received		92,435	87,789
Investment income on held for trading securities		—	21,295
Proceeds from disposal of property, plant and equipment		423	242
Decrease in entrusted loan receivables		225,684	69,080
Deposits paid for acquisition of property, plant and equipment		—	(59,629)
Advance to a related party		—	(50,240)
Increase in structured bank deposits		(516,600)	(150,720)
Decrease/(increase) in pledged bank deposits		202,848	(2,658,910)
<i>Net cash generated from/(used in) investing activities</i>		<b>2,695,773</b>	(5,851,929)
<b>Cash flow from financing activities</b>			
Net proceeds from notes payable		—	276,320
Drawdown of bank loans		—	1,682,378
Net proceed from issue of corporate bonds		712,725	—
Cash flows from discounted bills with recourse		(3,513,928)	2,315,809
Repayment of bank loan		(9,270)	(353,971)
Repayment of corporate bonds		(756,000)	—
Repayment on deposit received from a buyer on a disposal of a subsidiary		(12,600)	—
Dividend paid to non-controlling shareholders of subsidiaries		(51,030)	—
Interest paid		(92,899)	(37,122)
<i>Net cash (used in)/generated from financing activities</i>		<b>(3,723,002)</b>	3,883,414
<b>Net decrease in cash and cash equivalents</b>		<b>(1,615,724)</b>	(1,356,363)
<b>Cash and cash equivalents at beginning of period</b>		<b>2,557,297</b>	1,973,076
<b>Effect of foreign exchange rates, net</b>		<b>(27,434)</b>	11,161
<b>Cash and cash equivalents at end of period, represented by bank balances and cash</b>		<b>914,139</b>	627,874

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 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 bulk commodity trade, trading of coal, property development, property investment, financial 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 “HKEX”). As at 30 June 2014, the immediate holding company is World Gain Holdings Limited, which is incorporated in the British Virgin Islands (the “BVI”) 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 PRC.

The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKEX (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 2013. For the six months ended 30 June 2014 and 2013, the Group entered into contracts for some of its purchase of bulk commodities in accordance with its expected purchase requirements. Accordingly, those purchases and their corresponding sales are recognised as cost of sales and gross turnover in the condensed consolidated income statement.

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

### 2.1 Adoption of amended HKFRSs

From 1 January 2014, 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 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Financial Instruments: Recognition and measurement – novation of derivatives and continuation of hedge accounting
HK(IFRIC) Interpretation 21	Levies

## **2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)**

### **2.1 Adoption of amended HKFRSs (Continued)**

#### **Amendments to HKAS 32 - Offsetting Financial Assets and Financial Liabilities**

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Except as explained above, the adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

### **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	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
Amendments to HKAS 19 (2011) HKFRSs (Amendments)	Defined Benefit Plans: Employee Contributions <sup>1</sup> Annual Improvements 2010-2012 Cycle <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

#### **HKFRS 9 – Financial Instruments**

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that 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 de-recognition of financial assets and financial liabilities.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 3 TURNOVER AND SEGMENT INFORMATION

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

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 lease back 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 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	852	43,405	—	—	468,192	35,107	547,556
Result							
Segment result (Note (a))	804	11,938	(540)	(637)	(49,864)	11,422	(26,877)
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							(468)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 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 pledged bank deposits, 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	1,386	—	—	—	—	—	—	1,386

Unaudited  
For the six months ended 30 June 2013

	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	694	45,868	770	12,921	8,134,477	37,141	8,231,871
Result							
Segment result (Note (a))	647	2,977	(1,245)	(619)	(96,384)	10,940	(83,684)
Fair value gain on investment properties (Note (b))							3,931
Fair value gain on held-for-trading securities							6,150
Fair value gain on derivative financial instruments (Note (b))							2,827
Interest income from entrusted loan receivables							44,672
Unallocated finance costs							(22,645)
Unallocated corporate expenses							(11,803)
Unallocated other income							430
Loss before income tax							(60,122)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 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 pledged bank deposits, bank deposits and short-term investments	—	101	247	62	100,118	1,075	217	101,820
Depreciation	(2)	(160)	(91)	(3)	(347)	(6,184)	(127)	(6,914)
Finance costs	—	—	—	—	(117,245)	—	(22,645)	(139,890)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance:								
Fair value gain on investment properties	3,931	—	—	—	—	—	—	3,931
Fair value gain on derivative financial instruments	—	—	—	—	2,827	—	—	2,827

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

### 3 TURNOVER AND SEGMENT INFORMATION *(Continued)*

#### Segment assets

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

	<b>Unaudited At 30 June 2014 HK\$'000</b>	Audited At 31 December 2013 HK\$'000
Segment assets		
Property investment	<b>187,375</b>	187,760
Property development	<b>818,709</b>	784,627
Financial leasing	<b>355,162</b>	135,226
Trading of coal	<b>51,437</b>	52,258
Bulk commodity trade	<b>7,302,542</b>	17,592,570
Hotel and marine travelling services	<b>292,249</b>	227,666
<b>Total segment assets</b>	<b>9,007,474</b>	18,980,107
Unallocated		
— entrusted loan receivables	<b>134,846</b>	363,744
— other unallocated assets	<b>432,475</b>	341,918
— bank balances and cash	<b>104,856</b>	35,439
<b>Total assets</b>	<b>9,679,651</b>	19,721,208



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 4 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest income from pledged bank deposits, bank deposits and short-term investments	108,521	101,820
Interest income from other receivables (note 11)	25,505	—
Interest income from entrusted loan receivables	18,575	44,672
Interest income from a non-controlling shareholder of a subsidiary	692	—
Interest income from a related party	1,736	726
Commission income from procurement services related to arranging bulk commodity trade	—	69
Investment income on held-for-trading securities	—	21,295
Compensation from overdue deposit (note 11)	5,899	—
Exchange gain	—	30,956
Others	2,485	21
	<b>163,413</b>	<b>199,559</b>

### 5 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest on corporate bonds	21,064	18,689
Interest on notes payable	—	2,485
Interest on bank and other borrowings wholly repayable within five years	8,311	13,900
Interest on discounted bills with recourse	77,300	100,908
Interest on deposit received from a buyer in a partial disposal of a subsidiary	—	3,956
	<b>106,675</b>	<b>139,938</b>
Less: Amounts capitalised in properties under development	—	(48)
	<b>106,675</b>	<b>139,890</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 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 the PRC 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	
	2014	2013
	HK\$'000	HK\$'000
The income tax expense comprises:		
Current tax	15,049	17,486
Under-provision in prior years	160	70
Deferred taxation	347	5,058
Total income tax expense for the period	15,556	22,614

### 7 LOSS FOR THE PERIOD

	Unaudited Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (net of amount capitalised in properties under development)	8,551	6,914
Amortisation of prepaid land lease payments	1,103	1,099
Exchange loss/(gain)	25,301	(30,956)
Loss on disposal of property, plant and equipment	431	33
Interest income		
— pledged bank deposits, bank deposits and short-term investments	(108,521)	(101,820)
— other receivables	(25,505)	—
— entrusted loan receivables	(18,575)	(44,672)
— loan receivable under finance lease arrangement (included in turnover)	—	(770)
— loan to a related party	(1,736)	(726)
Expenses capitalised in properties under development:		
Depreciation	62	62
Finance costs	—	48
Staff costs (excluding directors' emoluments)	858	750

### 8 DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 December 2013 and period ended 30 June 2013 was declared and paid to the owners of the Company. The directors do not declare the payment of an interim dividend for the six months ended 30 June 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit for the period of HK\$6,161,000 (for the six months ended 30 June 2013: loss of HK\$58,263,000) attributable to the owners of the Company and on the weighted average number of 4,840,734,776 shares (for the six months ended 30 June 2013: 4,840,734,776 shares).

There is no diluted earnings/(loss) per share as there was no potential ordinary share outstanding for both periods.

### 10 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND INVESTMENT PROPERTIES

During the period, the Group acquired approximately HK\$2,066,000 and disposed of approximately HK\$790,000 property, plant and equipment (for the six months ended 30 June 2013: HK\$338,000 and HK\$275,000).

For the six months ended 30 June 2014 and 2013, no prepaid land lease payments was acquired and disposed of during the period.

The fair values of the Group's investment properties at 30 June 2014 and 31 December 2013 have been arrived at on the basis of valuations carried out on these dates by B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group. B.I. Appraisals Limited is member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties or investment method by taking into account the current rents passing and the reversionary income potential of the respective portions of related property. The gain on change in fair value on investment properties during the six months ended 30 June 2014 amounted to HK\$1,386,000 (during the year ended 31 December 2013: gain on change in fair value of HK\$4,999,000).

### 11 DEPOSITS PAID

	<b>Unaudited</b> <b>At 30</b> <b>June 2014</b> <b>HK\$'000</b>	Audited At 31 December 2013 HK\$'000
Deposits paid for acquisition of 85% of the equity interests in Alpha Fortune Industrial Limited ( <i>note</i> )	—	337,080
Deposits paid for purchase of property, plant and equipment	<b>20,866</b>	21,064
	<b>20,866</b>	358,144

Note:

On 13 August 2012, the Group entered into a framework agreement (the "Framework Agreement") with independent third parties (the "Vendors") in relation to the acquisition of 82% equity interests in Alpha Fortune Industrial Limited ("Alpha Fortune") at the aggregate considerations of RMB615,000,000 (equivalent to approximately HK\$750,300,000). Alpha Fortune indirectly owns 60% of the equity interests in 廣西合山煤業有限責任公司 (the "Coal Mine Company") and its subsidiaries which principally engage in exploration and mining of coal mines resources in the PRC. The proposed acquisition of 82% equity interests in Alpha Fortune (the "Acquisition") constituted a very substantial acquisition under the Listing Rules.

## **11 DEPOSITS PAID (Continued)**

*Note: (Continued)*

Pursuant to the Framework Agreement, if the Vendors or each member of Alpha Fortune and its subsidiaries (collectively referred to as the "Target Group") breach the undertakings, warranties and exclusivity clauses of the Framework Agreement or the parties to the Framework Agreement are unable to enter into a formal sale and purchase agreement on or before 8 February 2013, the Group is entitled to terminate the Framework Agreement. Upon termination of the Framework Agreement, the deposits paid to the Vendors will be fully refundable to the Group.

To secure the performance of the refund obligations of the Vendors, the Vendors have (i) unconditionally pledges 49% of the equity interest in the Coal Mine Company in favour of the Group as security and (ii) provided joint and several guarantee in favour of the Group to secure the performance of the refund obligations of the Vendors as described above.

The Group has commenced thorough due diligence review on the assets, financial and legal aspects etc. of the Target Group upon signing of the Framework Agreement. Given that the difference between the net asset value of the Coal Mine Company as at 31 December 2011 as represented by the Vendors in the Framework Agreement and the results of the due diligence review on the Target Group up to the 6 February 2013 did not comply with the relevant terms of the Framework Agreement, the Group has decided to terminate the Framework Agreement in accordance with the aforementioned termination clause of the Framework Agreement. A written notice of termination has been served by the Group to the Vendors on 6 February 2013.

The Group has negotiated with the Vendors regarding (i) the refund of the earnest money and advance payment (the "Deposits"); and (ii) a new proposal for the Acquisition.

On 18 June 2013, the Group has finalised a new proposal for the Acquisition and entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with the Vendors regarding the Acquisition. Pursuant to the Sale and Purchase Agreement, the Group has conditionally agreed to acquire for, and the Vendors have conditionally agreed to dispose of 85% interests in the issued share capital of Alpha Fortune, at aggregate consideration of approximately RMB448,600,000 (equivalent to approximately HK\$570,619,000).

On 31 October 2013, the Group entered into a supplemental agreement with the Vendors to allow the Group to waive certain undertakings given by the Vendors in relation to (i) the collection of debt (and interests accrued thereon) due from 北京新領域投資有限公司 to the Target Group; and (ii) the repayment of relevant debt (and interests accrued thereon) due from the Target Group to 重慶國際信託投資有限公司 (or its assignee(s)) and the release of the related pledge in respect of 49% equity interest in the Coal Mine Company before the general meeting of the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder or the obtaining of the written approval from the relevant shareholder in lieu of the aforementioned shareholders' approval at the general meeting of the Company (where permitted under the Listing Rules).

As of 31 March 2014, some of the conditions precedent to the Acquisition under the Sale and Purchase Agreement had not been satisfied, or, where applicable, waived by the Group. Accordingly, the Sale and Purchase Agreement lapsed on 31 March 2014. Under the Sale and Purchase Agreement, the Vendors shall repay to the Group the Deposits and the interest accrued under the Framework Agreement within 10 business days after the termination of the Sale and Purchase Agreement. If the Vendors fail to repay the outstanding amount to the Group within 10 business days after the termination of the Sale and Purchase Agreement, such outstanding amount shall be subject to a compensation for breach of contracts (the "Compensation") which is calculated at a daily rate of 0.02% starting from the date of the Sale and Purchase Agreement and until the date the outstanding amounts have all been settled by the Vendors.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 11 DEPOSITS PAID (Continued)

Note: (Continued)

As at 30 June 2014, the principal amount of the Deposits that has been paid by the Group to the Vendors pursuant to the payment schedule as specified in the Framework Agreement amounted to RMB265,000,000 (equivalent to approximately HK\$333,900,000). Due to the lapse of the Sale and Purchase Agreement and the termination of the Acquisition, the Deposits paid for acquisition of 85% of the equity interests in Alpha Fortune Industrial Limited was reclassified to other receivables under current assets in the condensed consolidated statement of financial position as at 30 June 2014. For the six months ended 30 June 2014, the Compensation of RMB4,682,000 (equivalent to approximately HK\$5,899,000) and the interest accrued from the Deposits of RMB18,716,000 (equivalent to approximately HK\$23,582,000) were charged to the profit or loss as other income (note 4).

Subsequent to the six months ended 30 June 2014, on 8 July 2014, the Group obtained additional corporate guarantee from Coal Mine Company and two of its subsidiaries to secure the repayment obligations of the Vendors to the extent of RMB45,000,000 (equivalent to approximately HK\$56,700,000) and the interest accrued thereon.

The directors of the Company considered that the global coal market will remain unstable in the near future. Therefore, the Group intends to observe the development of the coal market and not to further invest in the upstream coal resources. As such, following the lapse of the Framework Agreement and the Sale and Purchase Agreement in relation to the Acquisition in March 2014, the Group decided not to proceed with the Acquisition.

On 20 August 2014, the Group entered into a sale and purchase agreement (the "SP Agreement") with Mosway Group Limited, 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 (the "Chengtong Coal") to the rest of the Group on or at any time prior to completion of the SP Agreement for a consideration of RMB339,933,000 (equivalent to approximately HK\$428,315,000).

Chengtong Coal is a wholly owned subsidiary of the Group that entered into the Acquisition under the Framework Agreement and the Sale and Purchase Agreement. As at 30 June 2014, the total indebtedness owing or incurred by Chengtong Coal mainly included the Deposits paid for the Acquisition of RMB265,000,000 (equivalent to approximately to HK\$333,900,000), the Compensation of RMB4,682,000 (equivalent to approximately HK\$5,899,000), loan receivables from Coal Mine Company of RMB50,000,000 (equivalent to approximately HK\$63,000,000) and interest accrued from the Deposits of RMB18,716,000 (equivalent to approximately HK\$23,582,000) and interest accrued from loan receivables of RMB1,526,000 (equivalent to approximately HK\$1,923,000) (note 4). Due to the lapse of the Sale and Purchase Agreement and the termination of the Acquisition, all these amounts have been classified as other receivables and loan receivables under current assets in the condensed consolidated statement of financial position as at 30 June 2014.

Details of the loan receivables and its interest accrued are set out in note 12 (c).

CCHG intended to develop its coal exploration and mining business as well as its interest in further negotiation with the Vendors of the Acquisition. Upon completion of the SP Agreement, CCHG will explore the opportunities with the Vendors of the Acquisition to continue to acquire the Target Group or to cooperate in coal mining and exploration with the Vendors in other manner as they think fit.

The disposal of Chengtong Coal has not yet completed as of the date of issuance of the interim financial information.

Details in relation to the Framework Agreement, the termination of the Framework Agreement and the Sale and Purchase Agreement as well as the entering into of the SP Agreement are set out in the Company's announcements dated 21 August 2012, 6 February 2013, 24 June 2013, 31 October 2013, 1 April 2014, 8 July 2014 and 20 August 2014 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 12 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2014 HK\$'000	Audited At 31 December 2013 HK\$'000
Trade receivables (note (a))	51,232	38,043
Bills receivable from bulk commodity trade (note (b))	5,758,679	11,498,904
Trade and bills receivable	5,809,911	11,536,947
Prepayments and deposits	6,792	19,291
Other receivables	62,126	153,355
Other receivables from the Vendors in respect of the acquisition of 85% equity interests in Alpha Fortune Industrial Limited (note 11)	363,381	—
Loan and interest receivables from Coal Mine Company (note (c))	64,923	—
	<b>6,307,133</b>	<b>11,709,593</b>

Notes:

- (a) As at 30 June 2014, trade receivables mainly arose from bulk commodity trade. There is 2 to 7 days credit period granted to customers of bulk commodity trade.

As at 31 December 2013, trade receivables mainly arose from sales of coal. There is no credit period granted to customers of coal trading business.

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

	Unaudited At 30 June 2014 HK\$'000	Audited At 31 December 2013 HK\$'000
Within three months	51,232	38,043

- (b) As at 30 June 2014 and 31 December 2013, bulk commodity trade is mainly settled by cash or bills issued by PRC banks which are receivable in 1 year (At 31 December 2013: 1 year) from the date of issuance.

- (c) On 9 January 2014, the Group entered into the loan agreement with Coal Mine Company pursuant to which the Group agreed to lend a sum of RMB50,000,000 (equivalent to approximately to HK\$63,000,000) to Coal Mine Company at an interest rate of 5.60% per annum for a term ended on 30 June 2014. Under the loan agreement, the Group is entitled to call for the repayment of the loan and interest under the loan agreement at any time prior to the expiry of the loan agreement. The loan was secured by 15% of the equity interest in Coal Mine Company and was guaranteed by one of the shareholders of Coal Mine Company (the "Guarantor").

On 11 May 2014, the Group issued a notice to Coal Mine Company requesting for the repayment of the loan and interest under the loan agreement before 16 May 2014 in accordance with the terms of the loan agreement. On 26 May 2014, the Group issued a notice to the Guarantor requesting for the repayment of the loan and interest under the loan agreement as jointly and severally guaranteed by the Guarantor.

As disclosed in note 11, loan receivables amounted to RMB50,000,000 (approximately to HK\$63,000,000) and interest accrued (included the loan interest and the default interest which charged at daily interest rate of 0.05% upon the failure of repayment up to 30 June 2014) included in other receivables amounted to RMB1,526,000 (approximately to HK\$1,923,000) will be disposed by the Group under the SP Agreement with Mosway Group Limited.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 13 AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due from a non-controlling shareholder of a subsidiary bears interest at 7.38% (At 31 December 2013: 7.38%) per annum, which is 120% of the benchmark rate offered by the People's Bank of China.

### 14 LOAN TO A RELATED PARTY

In May 2013, the Group arranged a short-term loan to 中國寰島(集團)公司, a wholly-owned subsidiary of CCHG, in a principal amount of RMB40,000,000 (equivalent to approximately HK\$50,400,000) which bears interest at 10% per annum, secured by certain listed securities investments held by 中國寰島(集團)公司 and repayable on 9 May 2014. The Group entered into an extension agreement with 中國寰島(集團)公司 to extend the term of the short-term loan for 5 months and repayable on 9 October 2014.

### 15 ENTRUSTED LOAN RECEIVABLES

As at 30 June 2014, the Group had entered into three (At 31 December 2013: five) entrusted loan arrangements with financial institutions, which represented the loans from the Group to specified borrowers through banks in the PRC. In an entrusted loan arrangement, the bank acted as a lending agent 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 2014 and 31 December 2013, 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 ranged from 13% to 14% (At 31 December 2013: ranged from 12% to 14%) per annum.

As at 30 June 2014, two entrusted loan receivables of HK\$96,910,000 have been past due. Since the entire amount are subsequently settled, the directors of the Company are of opinion that no allowance of entrust loan receivables is necessary (At 31 December 2013: no entrusted loan receivables have been past due or impaired). The entrusted loan receivables are mainly secured by land and building and personal guarantees provided by the specified borrowers or their related parties. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the entrusted loan borrowers.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

### 16 HELD-FOR-TRADING SECURITIES

#### Fair value hierarchy

	Unaudited			Fair value as at 30 June 2014 HK\$'000	
	Fair value measurement as at 30 June 2014				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000		
<b>Recurring fair value measurement</b>					
Financial assets:					
Held-for-trading securities	1,775	—	—	1,775	

	Audited			Fair value as at 31 December 2013 HK\$'000	
	Fair value measurement as at 31 December 2013				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000		
<b>Recurring fair value measurement</b>					
Financial assets:					
Held-for-trading securities	2,108	—	—	2,108	

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (At 31 December 2013: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

### 17 SHORT-TERM INVESTMENTS

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

Within the short-term investments as at 30 June 2014, balance of HK\$18,900,000 (At 31 December 2013: HK\$6,360,000) was not subject to maturity and balance of HK\$75,815,000 was subject to maturity of 180 days (At 31 December 2013: HK\$2,807,954,000 was subject to maturity of 1 year). For those short-term investments not subject to maturity, the Group is entitled to redeem the investments with the banks at anytime with immediate effect. The estimated return from these short-term investments ranged from 3.5% to 4.7% (At 31 December 2013: 3.0% to 5.0%) per annum. The accrued and unpaid interest will be received upon redemption of the investment from the bank. 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 2014, short term investments of HK\$64,474,000 (At 31 December 2013: HK\$2,807,954,000) were pledged to secure bills payable of the Group (note 20).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 18 STRUCTURED BANK DEPOSITS

The structured bank deposits were interest-bearing and not quoted in an active market. The principal and interest earned are linked to the investments associated with treasury bills and bonds of certain banks in the PRC. The deposits were subject to maturity from 14 days to 187 days. Structured bank deposits of HK\$327,600,000 were pledged to bills payable as at 30 June 2014 (At 31 December 2013: nil).

### 19 PLEDGED BANK DEPOSITS

As disclosed in note 28, as at 30 June 2014, gross amount of pledged bank deposits of HK\$1,052,435,000 was subject to enforceable netting arrangements. The amounts are offsetting with bills payable and the net amount of pledged bank deposits of HK\$473,225,000 was presented in the condensed consolidated statement of financial position as at 30 June 2014.

As at 31 December 2013, gross amount of pledged bank deposits of HK\$3,798,218,000 was subject to enforceable netting arrangements. The amounts are offsetting with bills payable and bank borrowings and the net amount of pledged bank deposits of HK\$676,073,000 was presented in the consolidated statement of financial position as at 31 December 2013.

### 20 TRADE AND OTHER PAYABLES

	Unaudited At 30 June 2014 HK\$'000	Audited At 31 December 2013 HK\$'000
Trade payables	7,927	6,387
Other payables and accruals	134,888	157,842
Deposits received from buyers on disposal of subsidiaries	3,780	16,536
Bills payable for purchase of bulk commodity (Note)	851,018	7,078,160
Accrual of construction costs	21,025	28,445
	<b>1,018,638</b>	<b>7,287,370</b>

Note:

As disclosed in note 28, as at 30 June 2014, gross amount of bills payable of HK\$1,073,001,000 was subject to enforceable netting arrangements. The amounts are offsetting with pledged bank deposits and the net amount of bills payable of HK\$851,018,000 was presented in the condensed consolidated statement of financial position as at 30 June 2014.

As at 31 December 2013, gross amount of bills payable of HK\$2,138,484,000 was subject to enforceable netting arrangements. The amounts are offsetting with pledged bank deposits and the net amount of bills payable of HK\$7,078,160,000 was presented in the consolidated statement of financial position as at 31 December 2013.

As at 30 June 2014, gross amount of bills payable of approximately HK\$1,903,453,000 (At 31 December 2013: HK\$6,512,870,000) were secured by gross bank deposits, structured bank deposits and short-term investments of approximately HK\$1,517,617,000, HK\$327,600,000 and HK\$64,474,000 respectively (At 31 December 2013: secured by gross bank deposits and short-term investments of approximately HK\$2,765,927,000 and HK\$2,807,954,000 respectively).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 20 TRADE AND OTHER PAYABLES (Continued)

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

	Unaudited At 30 June 2014 HK\$'000	Audited At 31 December 2013 HK\$'000
Within one year	6,344	4,676
Over one year but less than two years	1,583	1,711
	<b>7,927</b>	6,387

### 21 BANK BORROWINGS

	Notes	Unaudited At 30 June 2014 HK\$'000	Audited At 31 December 2013 HK\$'000
Secured bank borrowings			
Discounted bills with recourse	(a)	5,648,832	9,264,430
Short-term bank loans	(b)	—	9,270
		<b>5,648,832</b>	9,273,700

Note:

- (a) As at 30 June 2014, all (At 31 December 2013: HK\$9,481,204,000) of the bills receivable have been discounted to banks with recourse to facilitate the operation of the bulk commodity trade. Accordingly, the Group continues to include these discounted bills as receivables and has recognised the cash received as bank borrowings. Discounted bills with recourse are interest bearing at fixed rate with a range from 1.10% to 3.85% (At 31 December 2013: 0.90% to 3.85%) per annum. Total finance cost in relation to bulk commodity trade will be charged to profit or loss over the relevant period of the discounted bills with recourse amounted to HK\$86,070,000 (At 31 December 2013: HK\$309,197,000) and unrecognised portion of finance cost in relation to these discounted bills as at 30 June 2014 amounting to HK\$20,965,000 (At 31 December 2013: HK\$86,894,000) will be charged to profit or loss after the reporting date. The interest rate is determined at the date of inception. All borrowings in relation to discounted bills with recourse are secured by bills receivable as at 30 June 2014 and 31 December 2013.
- (b) As disclosed in note 28, as at 31 December 2013, gross amount of bank borrowings of HK\$1,712,669,000 was subject to enforceable netting arrangements. The amounts are offsetting with pledged bank deposits and the net amount of bank borrowings of HK\$9,270,000 was presented in the consolidated statement of financial position as at 31 December 2013. All the short-term loans are settled as at 30 June 2014.

As at 31 December 2013, gross amount of short-term bank loans of approximately HK\$1,712,669,000 were secured by pledged bank deposits with gross amounts of approximately HK\$1,705,146,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 22 CORPORATE BONDS

	Unaudited At 30 June 2014 HK\$'000	Audited At 31 December 2013 HK\$'000
Corporate bonds		
Current portion	—	761,528
Non-current portion	714,781	—

#### As at 30 June 2014

The corporate bonds are fixed rate bonds issued by the Company (the "2017 Bonds"). The 2017 Bonds were issued on 9 May 2014 with a principal amount of RMB600,000,000 and a fixed interest at 4.0% per annum.

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

Net proceeds from the issue of the 2017 Bonds was reduced by transaction cost amounted to approximately RMB34,248,000. The effective interest rate of the 2017 Bonds is approximately 6.11% per annum.

#### As at 31 December 2013

The corporate bonds are fixed rate bonds issued by the Company (the "2014 Bonds"). The 2014 Bonds were issued on 19 May 2011 with a principal amount of RMB600,000,000 and a fixed interest at 4.5% per annum.

The 2014 Bonds will mature on 19 May 2014 but may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption), at their principal amount, together with interest accrued to the date for redemption. The redemption option of the Group will only be exercisable in the event of changes in laws or regulations in Hong Kong or the PRC, which leading the Group to pay additional amount for the additional tax imposed to the bondholders.

Net proceeds from the issue of the 2014 Bonds was reduced by transaction cost amounted to approximately RMB10,398,000. The effective interest rate of the 2014 Bonds is approximately 5.13% per annum.

The 2014 Bonds were fully repaid during the six months ended 30 June 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 23 SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised ( <i>note</i> )		
At 1 January 2013 and 31 December 2013	6,000,000	600,000
Issued and fully paid		
At 1 January 2013 (audited) and 31 December 2013 (audited)	4,840,735	484,074
Transfer from share premium and capital redemption reserve ( <i>note</i> )	—	740,140
At 30 June 2014 (unaudited)	4,840,735	1,224,214

*Note:*

An entirely new Companies Ordinance (Cap.622) ("new CO") came into effect on 3 March 2014. The new CO abolishes 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 are transferred to the share capital.

### 24 RELATED PARTY TRANSACTIONS

During the period, the Group had entered into the following significant transactions with the following related parties:

#### (a) Transactions and balances with related parties

Name of related parties	Nature of transactions	Unaudited Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Wholly-owned subsidiaries of CCHG, the ultimate holding company:			
中國寰島(集團)公司	Interest income	1,736	726

Balances with related parties at the end of each reporting period are presented in the condensed consolidated statement of financial position as amount due from a related party.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 24 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions and balances with other relevant government-related entities

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

Apart from transactions with CCHG Group, the Group has transactions with other relevant government-related entities included but not limited to the following:

- sales of coal;
- gross purchase of bulk commodities; and
- gross and net sales of bulk commodities.

Details of transactions and balances with other relevant government-related entities are set out below:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Transactions with other relevant government related entities		
Sales of coal	—	5,272
Gross purchase of bulk commodity	213,584	—
Gross sales of bulk commodities (note)	89,472	151,001
Net sales of bulk commodities (note)	74,345	778

Note:

For the six months ended 30 June 2014, loss on bulk commodity trade in relation to sales and purchase transactions amounted to HK\$3,672,000 (for the six months ended 30 June 2013: loss of HK\$660,000) is charged to profit or loss.

In addition, the Group has entered into various transactions, including other purchases and operating expenses with other government-related entities. In the opinion of the directors, except for the transactions and balances disclosed above, other transactions and balances are considered as individually and collectively insignificant to the operation of the Group for both periods.

In addition, the Group has deposits placements, short-term investments, borrowings, corporate bonds and other general banking facilities with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 24 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Remunerations of key management personnel

The remunerations of key management personnel, which are the directors of the Company, during the period, were as follows:

	<b>Unaudited</b> <b>Six months ended 30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
Short-term benefits and bonus	<b>3,080</b>	3,637
Post-employment benefits	8	48
	<b>3,088</b>	3,685

- (d) At 30 June 2014, the ultimate holding company, CCHG, provided corporate guarantees amounted to HK\$906,356,000 (At 31 December 2013: HK\$1,356,000,000) to the banks in respect of the banking facilities granted to the subsidiaries of the Group.

### 25 OPERATING LEASE COMMITMENTS

#### (a) Operating lease commitments - as lessee

The Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<b>Unaudited</b> <b>At 30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>Audited</b> <b>At 31 December</b> <b>2013</b> <b>HK\$'000</b>
Within one year	<b>2,368</b>	3,698
In the second to fifth year inclusive	1,559	2,273
	<b>3,927</b>	5,971

#### (b) Operating lease commitments - as lessor

The Group had contracted with tenants for the following future minimum lease payments:

	<b>Unaudited</b> <b>At 30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>Audited</b> <b>At 31 December</b> <b>2013</b> <b>HK\$'000</b>
Within one year	<b>2,857</b>	1,747
In the second to fifth year inclusive	4,514	4,706
Over five years	3,472	4,467
	<b>10,843</b>	10,920

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 26 COMMITMENTS

#### (a) Capital commitments

	Unaudited At 30 June 2014 HK\$'000	Audited At 31 December 2013 HK\$'000
Contracted but not provided for Purchase of property, plant and equipment	26,762	27,017

#### (b) Other commitments

##### Six months ended 30 June 2014

The Group had no commitment for the six months ended 30 June 2014.

##### Year ended 31 December 2013

As mentioned in note 11, on 18 June 2013, the Group entered into the Sale and Purchase Agreement in relation to the acquisition of 85% equity interests in Alpha Fortune at the aggregate considerations of approximately RMB448,600,000 (equivalent to approximately HK\$570,619,000). As at 31 December 2013, the Group has paid cash of RMB265,000,000 (equivalent to approximately HK\$337,080,000) to the Vendors as earnest and advance payment pursuant to the payment schedule as specified in the Framework Agreement. The consideration under the Sale and Purchase Agreement will be settled by (i) cash of approximately RMB155,332,000 (equivalent to approximately HK\$197,582,000), (ii) issuance of consideration shares of approximately RMB23,586,000 (equivalent to approximately HK\$30,001,000) at the issue price of HK\$0.36 per share and (iii) setting off of debt of approximately RMB269,682,000 (equivalent to approximately HK\$343,036,000), which includes the earnest and advance payment totalling RMB265,000,000 (equivalent to approximately HK\$337,080,000).

### 27 CONTINGENT LIABILITIES

As at 30 June 2014, the Group had contingent liabilities in relation to guarantees of approximately HK\$122,878,000 (At 31 December 2013: HK\$91,084,000) 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 2014, the Company provided corporate guarantees of approximately HK\$4,407,381,000 (At 31 December 2013: HK\$5,803,803,000) to the banks in respect of the banking facilities granted to a subsidiary of the Group in relation to the discounted bills with recourse.

As at 30 June 2014, 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 28 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has entered into the transactions subject to enforceable netting arrangements with the banks. The Group has pledged bank deposits, bank borrowings and bills payable with the banks that meet the offsetting criteria in paragraph 42 of HKAS32. Consequently, the gross bank borrowings and bills payable are set off against the gross pledged bank deposits, result in the presentation of net bills payable of HK\$20,566,000 (as at 31 December 2013: net pledged bank deposit of HK\$1,746,000, net bank borrowings of HK\$9,270,000 and net bills payable of HK\$45,411,000) in the Group's condensed consolidated statement of financial position as at 30 June 2014.

**As at 30 June 2014**

#### Financial assets subject to offsetting

Description of types of financial assets	Unaudited As at 30 June 2014					
	Gross amounts of recognised financial assets <i>HK\$'000</i>	Gross amounts of recognised financial liabilities offset in the condensed consolidated statement of financial position <i>HK\$'000</i>	Net amounts of financial assets presented in the condensed consolidated statement of financial position <i>HK\$'000</i>	Related amounts not set off in the financial position		
				Financial instruments <i>HK\$'000</i>	Cash collateral received <i>HK\$'000</i>	Net settlement <i>HK\$'000</i>
Pledged bank deposits	1,052,435	(1,052,435)	—	—	—	—

#### Financial liabilities subject to offsetting

Description of types of financial liabilities	Unaudited As at 30 June 2014					
	Gross amounts of recognised financial liabilities <i>HK\$'000</i>	Gross amounts of recognised financial assets offset in the condensed consolidated statement of financial position <i>HK\$'000</i>	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position <i>HK\$'000</i>	Related amounts not set off in the financial position		
				Financial instruments <i>HK\$'000</i>	Cash collateral received <i>HK\$'000</i>	Net settlement <i>HK\$'000</i>
Bills payable	1,073,001	(1,052,435)	20,566	—	—	20,566



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 28 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(Continued)

As at 31 December 2013

#### Financial assets subject to offsetting

Description of types of financial assets	Audited As at 31 December 2013					
	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the financial position		Net settlement HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
Pledged bank deposits	3,798,218	(3,796,472)	1,746	—	—	1,746

#### Financial liabilities subject to offsetting

Description of types of financial liabilities	Audited As at 31 December 2013					
	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the financial position		Net settlement HK\$'000
				Financial instruments HK\$'000	Cash collateral received HK\$'000	
Bank borrowings	1,712,669	(1,703,399)	9,270	—	—	9,270
Bills payable	2,138,484	(2,093,073)	45,411	—	—	45,411
	3,851,153	(3,796,472)	54,681	—	—	54,681

## **29 POST REPORTING DATE EVENTS**

- (i) 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 Jiangsu Dafeng Harbour Holdings Group Limited in relation to the resumption of two lands at the total compensation amount of RMB219,920,000 (equivalent to approximately HK\$277,099,000). The resumption agreements will become effective when each party has signed the resumption agreements and obtained approval from its governing body, including the approval from the People’s Government of Dafeng City, the approval from the Board and the ultimate holding company of the Company. The resumption of lands constituted a discloseable transaction under the Listing Rules. Details of the resumption of lands are set out in the Company’s announcement dated 3 July 2014.
- (ii) On 23 July 2014, the Group (as a lender) entered into an entrusted loan agreement pursuant to which Bank of Nanjing Co., Ltd. acted as a lending agent to, inter alia, release a loan in the principal amount of RMB55,000,000 (equivalent to approximately HK\$69,300,000), to Zhejiang Yunxia Group Co., Ltd.. The term of the entrusted loan commenced from 25 July 2014 and will end on 25 April 2015. The actual term of the entrusted loan shall base on the drawdown record of the entrusted loan. The principal amount shall be repaid upon maturity of the entrusted loan. The interest rate for the entrusted loan is 13% per annum. Interests for the entrusted loan shall be settled by the borrower on a quarterly basis. In connection with the provision of the entrusted loan to the borrower, the Group has obtained (i) a joint and several liability guarantee from a guarantor and (ii) charges over certain residential and commercial units located in Hangzhou City and Huzhou City, the PRC and a piece of residential and commercial land located in Wuxi City, the PRC, and owned by the borrower, its branch office, its subsidiary and the affiliated entity respectively as charged assets for the repayment of the entrusted loan.
- The entrusted loan agreement constituted a discloseable transaction under the Listing Rules. Details of the entrusted loan agreement are set out in the Company’s announcement dated 23 July 2014.
- (iii) As disclosed in note 11, 20 August 2014, the Group entered into the SP Agreement with Mosway Group Limited, a wholly owned subsidiary of CCHG, to dispose of the entire issued share capital and total indebtedness incurred by Chengtong Coal to the rest of the Group on or at any time prior to the completion of the SP Agreement at a consideration of approximately RMB339,933,000 (equivalent to approximately HK\$428,315,000). Chengtong Coal is a direct wholly owned subsidiary of the Company. Such disposal of 100% interest in a wholly owned subsidiary constituted a discloseable and connected transaction under the Listing Rules. Details of the disposal are set out in the Company’s announcement dated 20 August 2014.

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. RESULTS AND DIVIDEND

Turnover of the Group for the first half of the current fiscal year was approximately HK\$547.56 million, representing a dramatic decrease of 93% as compared with approximately HK\$8,231.87 million for the same period of 2013. The decrease in turnover was mainly attributable to the fact that the Group ceased to carry out bulk commodity trade business through Chengtong Development International Trading Limited (“Chengtong International Trading”) and 杭州瑞能金屬材料有限公司(in English, for identification purpose only, Hangzhou Ruineng Metals Company Limited)(“Hangzhou Ruineng”) but still continued to carry out bulk commodity trade through its other wholly-owned subsidiaries, which led to the significant decrease in turnover contribution from the bulk commodity trade business.

The Company recorded profit attributable to owners of approximately HK\$6.16 million for the period, as compared with loss attributable to owners of approximately HK\$58.26 million for the same period of 2013, representing a dramatic increase of approximately 110%, which was mainly attributable to the decrease in finance cost arising from bulk commodity trade business as well as the increase in profit contribution from the core business of the Group.

The Board of the Company does not recommend the declaration of an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

## II. BUSINESS REVIEW

### Segment revenue and results

#### (1) Bulk Commodity Trade

Chengtong International Trading and Hangzhou Ruineng, being two subsidiaries of the Group established in Hong Kong and the PRC in the fourth quarter of 2011, engage in bulk commodity trade business in Hong Kong and the PRC respectively.

In 2014, since the Group could not reach a consensus in relation to the operation mode and risk control measures of bulk commodity trade business with the joint venture partner of Chengtong International Trading and Hangzhou Ruineng, the Group and the partner have agreed to cease to carry out new bulk commodity trade business through Chengtong International Trading and Hangzhou Ruineng in the period under review. However, the Group will still continue to carry out bulk commodity trade through its other wholly-owned subsidiaries subject to the market situation. Therefore, the Group achieved external sales and gross loss of bulk commodity trade business of approximately HK\$468.19 million and HK\$7.92 million in the period under review, representing a substantial decrease of 94% and 90% respectively as compared with external sales of approximately HK\$8,134.48 million and gross loss of approximately HK\$87.46 million for the same period of 2013.

### (2) Property Development

#### Property Sale

During the period under review, the recognised revenue from property development amounted to approximately HK\$43.40 million, representing a slight decrease of 0.4% as compared with approximately HK\$45.87 million for the same period of 2013. The revenue from property development was mainly from CCT-Champs-Elysees project in Zhucheng of Shandong Province as follows:

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

During the period under review, commercial space of approximately 326 square metres, residential apartments of approximately 6,728 square metres and underground ancillary apartments of approximately 283 square metres (same period of 2013: residential apartments of approximately 8,760 square metres and underground ancillary apartments of approximately 273 square metres respectively), 12 over ground parking spaces and 7 underground parking spaces (same period of 2013: 9 underground parking spaces and 0 over ground parking space) of CCT-Champs-Elysees Phase I in Zhucheng of Shandong Province were sold and delivered. This project recorded total net sales revenue of approximately HK\$43.40 million, a gross profit of approximately HK\$14.45 million and gross profit margin of approximately 33%, representing a decrease of 5%, increase of 38% and decrease of 10% as compared with the sales revenue of approximately HK\$45.87 million, gross profit of approximately HK\$10.49 million and gross profit margin of approximately 23% respectively in the same period last year.

As at 30 June 2014, the remaining area of the unsold or sold-but-not-delivered spaces of CCT Champs-Elysees Phase I included residential apartments of approximately 8,870 square metres and commercial spaces of approximately 2,036 square metres (same period of 2013: approximately 20,504 square metres and 2,485 square metres respectively) (excluding the leased area of approximately 3,965 square metres (same period of 2013: approximately 4,725 square metres)).

Construction works of section I and section II of CCT-Champs-Elysees Phase II are expected to be completed and delivered at the end of 2014 or the beginning of 2015.

#### (ii) Dafeng of Jiangsu Province — Chengtong International City

During the period under review, no property of section I of the initial development area of “Chengtong International City” located in Dafeng city of Jiangsu Province was sold, which was mainly due to the impacts of national policy regulations, and the lack of major breakthrough in the development of Dafeng Harbour or substantial progress of relevant population policy. In the same period of 2013, the residential area of section I of the initial development area of “Chengtong International City” was sold out.

As at 30 June 2014, the unsold or sold-but-not-delivered saleable areas 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 392 square metres, 6,364 square metres and 3,176 square metres respectively, representing no change as compared with the same period of 2013.

### (3) Property Investment

#### Property lease

Zhucheng of Shandong Province - CCT-Champs-Elysees

During the period under review, the leased area of CCT-Champs-Elysees Phase I decreased from approximately 4,725 square metres as at 30 June 2013 to approximately 3,965 square metres as at 30 June 2014. During the period under review, the rental income from the lease of CCT-Champs-Elysees amounted to approximately HK\$0.85 million (same period of 2013: approximately HK\$0.69 million). The increase in rental income was mainly due to the increase in rental per square metre as compared with the same period last year.

#### Land Resources Development

##### (i) Land and industrial buildings in Shenyang of Liaoning Province

On 25 July 2013, the Group and an independent third party entered into a memorandum for the possible disposal of the entire interest in Chengtong Enterprises Investment Limited ("CT Enterprises"), a wholly-owned subsidiary of the Company, to sell in essence the land for industrial, warehouse and transportation purposes with an area of approximately 247,759 square metres and buildings with an area of approximately 28,866 square metres ("Shenyang Land") situated in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC, which were indirectly held by the Group. The preliminary purchase price is RMB150 million, and the purchaser has already paid an earnest money of RMB3 million to the Group. The possible disposal, in essence, is the disposal by the Group of Shenyang Land. However, as the internal reorganisation of CT Enterprises has not been completed, the Group and the purchaser had not entered into any formal agreement as at the date of this report. The Group will make a further announcement in relation to the possible disposal of Shenyang Land to shareholders in accordance with the Listing Rules. During the period under review, no tenancy agreement was concluded for and no rental income was generated from the Shenyang Land and buildings erected thereon and no rental income was generated in the same period of 2013 either.

##### (ii) Land in Dafeng of Jiangsu Province

誠通大豐海港開發有限公司(in English, for identification purpose only, Chengtong Dafeng Harbour Development Limited) ("Dafeng Harbour Development"), a non-wholly owned subsidiary of the Company, holds a parcel of industrial land situated at 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, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province. In 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 and two compensation agreements with Dafeng Harbour Committee and Jiangsu Dafeng Harbour Holdings Group Limited in relation to the resumption of two lands in Dafeng of Jiangsu Province at the total compensation amount of RMB219,920,000 (equivalent to approximately HK\$277,099,000). As at the date of this report, the resumption of lands has not yet completed. Details of the resumption of lands are set out in the Company's announcement dated 3 July 2014.

### **(4) Hospitality and Marine Travelling Services**

During the period under review, the Group is engaged in hotel operation and provision of marine travelling services in Hainan Province, the PRC. The turnover from the provision of marine travelling services was approximately HK\$27.20 million, with a gross profit margin of 70%, while the turnover from the operation of hotel was approximately HK\$7.91 million, with a gross profit margin of 77%. The above, together with revenue from other businesses, generated a consolidated turnover of approximately HK\$35.11 million and consolidated pre-tax profit of approximately HK\$11.42 million for the Group, representing a decrease of 5% and an increase of 4% as compared with the consolidated turnover of approximately HK\$37.14 million and consolidated pre-tax profit of approximately HK\$10.94 million for the same period of 2013, respectively.

### **(5) Financial Leasing**

During the period under review, the Group's financial leasing business recorded turnover of HK\$Nil, representing a substantial decrease as compared with approximately HK\$0.77 million in the same period of 2013, which was mainly attributable to the fact that there was no new financial leasing business during the period under review and the income was mainly rentals from financial leases previously entered into but not yet completed.

### **(6) Trading of Coal**

Due to the over supply in the coal market as a whole in the first half of 2014, coal prices continued to fall. Therefore, the Group did not conduct any sale of coal or provide relevant agency services for the period under review. Trading of coal business realised a turnover of approximately HK\$12.92 million and a net loss of HK\$0.62 million for the same period in 2013.

### **Other income and gains**

During the period under review, other income and gains amounted to approximately HK\$163.41 million, representing a decrease of 18% as compared with approximately HK\$199.56 million for the same period of 2013. Other income during the period mainly including the consolidated interest income from bulk commodity trade amounted to approximately HK\$102.59 million (the same period last year: approximately HK\$100.12 million), provisions for penalty and interest income amounted to approximately HK\$31.40 million (the same period last year: HK\$Nil) in respect of the termination of the acquisition of coal mine and the interest income from entrusted loans amounted to approximately HK\$18.58 million (the same period last year: approximately HK\$44.67 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Selling and administrative expenses**

Selling expenses decreased from approximately HK\$15.95 million for the same period of 2013 to approximately HK\$7.82 million for the period under review, which was mainly due to the Group's slowing down of selling activities.

Administrative expenses for the period under review amounted to approximately HK\$82.90 million, representing an increase of 21% as compared with approximately HK\$68.45 million for the same period of 2013, which was attributable to the exchange losses amounted to approximately HK\$25.30 million (the same period of 2013: HK\$Nil) resulting from the combined effects that depreciation of RMB against US and Hong Kong dollars was recorded for the six months ended 30 June 2014, while there was appreciation of RMB against US and Hong Kong dollars for the six months ended 30 June 2013. In addition, staff costs amounted to approximately HK\$23.82 million, representing a decrease of 7% as compared with approximately HK\$25.54 million for the same period of 2013. The Group will continue to carry out cost-control measures to enhance its operational efficiency and competitiveness.

### **Finance costs**

On 9 May 2014, the Group issued bonds with an aggregate principal amount of RMB600 million with a coupon rate of 4% per annum for a term of three years. The net proceeds of approximately RMB565 million was used for working capital and general corporate purposes.

Finance costs incurred by the Group during the period under review amounted to approximately HK\$106.68 million, representing a decrease of 24% as compared with approximately HK\$139.90 million for the same period of 2013. Finance costs mainly included consolidated finance cost of bulk commodity trade business which amounted to approximately HK\$85.61 million (including interest expenses on discounted bills amortised or charged for the current period and bank loan interest) and interest expenses and amortisation costs of bonds issuance which amounted to approximately HK\$21.06 million, representing a decrease of 27% and an increase of 13% as compared with approximately HK\$117.24 million and HK\$18.69 million of the same items for the same period of 2013, respectively.

## **III. OUTLOOK**

The year of 2014 is a year full of challenges for the Group. As domestic economy is at a key stage of reform, development and restructuring, while the trend of world economy, emerging economies in particular, remains uncertain in a short term due to combined effects of international politics, economics and financial environment, there are possibilities for adjustments to and fluctuation in the price, interest rate and exchange rate of bulk commodity in the world, which may thus have certain impact on the business development of the Group.

Core business of the Group are bulk commodity trade, trading of coal, property development, property investment, financial leasing and hotel and marine travelling services.

In early 2014, taking into account the increasing systematic risks of bulk commodity trade business in the world, the Board proposed to adjust and improve the operation model of the business, and adopt more stringent risk control measures to cope with the new business environment. However, because of the failure to reach a consensus with the joint venture partners in respect of the operation model and risk control measures relating to bulk commodity business, the Group determined to cease the operation of the two business platforms of Hangzhou Ruineng and Chengtong International Trading, convert to new platform and take more robust measures to carry out business. The impact on the Group's turnover in the first half of 2014 was relatively great during the platform conversion period. However, the Board is of the view that the adjustment is necessary and beneficial to the Group's long-term development.

In the aspect of trading of coal, since the trend of coal price is still in a downward situation, the Group did not enter into new business contracts in the first half of 2014 so as to further observe the changes in the market. Meanwhile, the Group plans to turn its center of coal trading business from east China to the south China with a hope to bring into better play the market exploration capability and experience of the Group's coal trading teams.

As for the mergers and acquisitions of coal mine resources, the Group has been proactively exploring opportunities for entering the field of upstream coal resources in recent years. However, given the material change in the macroeconomic environment in 2014, the Board decided to terminate the acquisition of coal resources in Guangxi and would reorganise the relevant assets of the coal mine resources acquisition instead.

The Group attaches great importance to risk control and corporate governance as the Group regards sound risk control and corporate governance are important foundation and guarantee for enterprise development. The Group positively responded to changes in the macroeconomic environment and the systemic risks in business activities through adjusting business strategy, optimising its model of management and control and making effort to reduce indebtedness, improving the ratio of cash held by the Company in the first half of 2014. All these have helped the Company maintain a good asset structure in unfavorable operating environment, effectively enhance its ability to confront risks and accumulate energy for future development.

While making adjustment to bulk commodity business and coal resource acquisition business, the Group also adopted suitable operation models and measures for other businesses launched according to their specific development status quo and operation environment.

As for marine travelling services and hotel business in Huandao Yalongwan (寰島亞龍灣), the Group will actively seek for new shoreline resources in Hainan and other coastal areas while maintaining a good level of profitability, and strive to replicate the existing business model, cultivate new profit growth point and build up sustainable development model. In respect of the existing hotels in Sanya, the Group investigated the feasibility of reconstructing and repositioning of such hotels to bring into full play the value and profitability of the scarce land resources where those hotels are located, and thus achieve the linkage between land and water projects and create even greater value.

In the aspect of property investment, the Group's overall strategy is to speed up its disposal and realise gains from land appreciation, so as to enrich the Company's cash reserves and reduce the administrative radius. For land assets in Shenyang and Dafeng of Jiangsu, it is expected the Company will complete the disposal of all lands in Shenyang and that of certain industrial and business lands in Dafeng in 2014. In the aspect of property development, the Company will continue to carry forward and complete the development of CCT-Champs-Elysees project in Zhucheng of Shandong. As regards the project "Chengtong International City" in Dafeng of Juangsu, the Company will continue to promote its development in a prudent manner considering the immature nature of the local regional markets.

The Group restarted the finance leasing business and enhanced the business development efforts in the first half of 2014. The restart of the business was mainly due to the consideration that financial leasing business has a good development prospects in China and that the large logistics infrastructure and equipment within the system of the Group has created stable internal demand for leasing market. The business is expected to achieve rapid development if the Group can give full play to the capital advantages of Hong Kong's financial markets and seize both the internal and external market opportunities.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Chinese economy is undergoing a critical period with transformation and upgrading as well as the deepening of the reform in a more comprehensive manner. Serious excess capacity, great pressure of economic downturn and the adjustments in bulk commodity and real estate markets are closely related to various businesses of the Group. Against such background, restructuring stands as the key point and emphasis in the work of the Group throughout the year of 2014. Since the beginning of 2014, the Group has been adjusting and optimising various aspects including its asset structure, business structure, personnel structure and management structure. In the second half of 2014, the effect of the adjustments will gradually appear. The Board believes that, through the work carried out in 2014, the assets of the Group will be more excellent, the management of the Group will be more perfect, and the ability to achieve strategic expansion and rapid development of the Group in the future will be further enhanced. Management of the Group is still confident about the development of business in the future.

### IV. DEBT TO ASSETS RATIO

As at 30 June 2014, the Group's total borrowings, including interest-bearing bank loans of approximately HK\$5,648.83 million, corporate bonds of approximately HK\$714.78 million and other loans of approximately HK\$0.6 million, amounted to approximately HK\$6,364.21 million, representing a decrease of HK\$3,671.79 million as compared with the total interest-bearing borrowings as at 31 December 2013 of approximately HK\$10,036 million. The ratio of debt to assets (expressed as a percentage of total interest-bearing borrowings over total assets of the Group) increased from 51% as at 31 December 2013 to 66% as at 30 June 2014, mainly due to the decrease in the Group's assets including discounted bills and short-term investment during the period under review.

### V. LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy during the period under review. As at 30 June 2014, the Group had cash and bank balances including pledged bank deposits and structured bank deposit amounting to approximately HK\$1,903.96 million (31 December 2013: approximately HK\$3.233 million), and current assets and current liabilities of approximately HK\$9,218.70 million and HK\$6,779.30 million respectively (31 December 2013: approximately HK\$18,912 million and HK\$17,445 million respectively).

During the period under review, the Group's three-year corporate bonds which were issued on 9 May 2014 with the fixed annual interest rate of 4% amounted to approximately HK\$714.78 million as at 30 June 2014 (31 December 2013: approximately HK\$762 million) and will mature on 9 May 2017. As at 30 June 2014, the Group's discounted bills with recourse and short-term bank loans of HK\$5,648.83 million and HK\$Nil respectively (31 December 2013: approximately HK\$9,264 million and HK\$9.27 million respectively) were secured and repayable within one year with interest at commercial rate. The other loan from third parties of HK\$0.6 million (31 December 2013: HK\$0.6 million) was unsecured, repayable on demand and interest-free.

The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

The Group will continue to employ conservative and sound financial planning in order to ensure a solid financial position to support its future growth.

### VI. TREASURY POLICIES

The business activities and operation of the Group are mainly 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 swaps and forwards are used in the management of exposure to interest rate and foreign exchange rate fluctuations.

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

### VII. HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2014, the Group employed a total of 297 employees (as at 31 December 2013: 349), of which 14 (as at 31 December 2013: 15) were based in Hong Kong and 283 (as at 31 December 2013: 334) 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 of the Company 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 the contribution by them 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.

### VIII. PLEDGE OF ASSET

As at 30 June 2014, gross amount of bills payable of approximately HK\$1,903.45 million (as at 31 December 2013: approximately HK\$6,513 million) were secured by gross bank deposits, structured bank deposits and short-term investments of approximately HK\$1,517.6 million, HK\$327.6 million and HK\$64.47 million respectively (as at 31 December 2013: secured by gross bank deposits and short term investments of approximately HK\$2,766 million and HK\$2,808 million respectively).

As at 30 June 2014, discounted bills with recourse of approximately HK\$5,648 million (as at 31 December 2013: approximately HK\$9,264 million) were secured by bills receivable of approximately HK\$5,758 million (as at 31 December 2013: approximately HK\$9,481 million).

As at 30 June 2014, gross amount of short-term bank loans of HK\$Nil (as at 31 December 2013: approximately HK\$1,713 million) were secured by pledged bank deposits with gross amounts of HK\$Nil (as at 31 December 2013: approximately HK\$1,705 million).

As at 30 June 2014, the gross amounts of pledged bank deposits amounted to approximately HK\$1,488 million, HK\$Nil and HK\$1.69 million were pledged for bills payable, bank borrowings and pledged against banking facilities granted to mortgagees respectively (as at 31 December 2013: approximately HK\$2,766 million, HK\$1,705 million and HK\$1.47 million respectively).

### IX. COMMITMENTS & CONTINGENT LIABILITIES

Please refer to notes 25, 26 and 27 to the condensed consolidated financial statements in this report.

### X. POST REPORTING DATE EVENTS

Please refer to note 29 to the condensed consolidated financial statements in this report.

## OTHER INFORMATION

### PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2014, directors and chief executives of the Company who had any interests in the shares, underlying shares and debentures of the Company and any of its associated corporations which are required, pursuant to section 352 of the Securities and Future Ordinance (Cap. 571 of Laws of Hong Kong) ("SFO"), to be entered in the register referred to therein, or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange are as follows:

#### Long Position

Name of Director	Interests in the Company or its associated corporation	Nature of interest	Class of shares	Number of shares	Approximate percentage of issued share capital
Yuan Shaoli	The Company	Beneficial owner	Ordinary	300,000 (Note)	0.0062%
Wang Hongxin	The Company	Beneficial owner	Ordinary	600,000 (Note)	0.0124%
Wang Tianlin	The Company	Beneficial owner	Ordinary	400,000 (Note)	0.0083%
Zhang Bin	The Company	Beneficial owner	Ordinary	300,000 (Note)	0.0062%

Note: These are the shares awarded to the directors under the Share Award Scheme on 22 June 2012.

Save as disclosed above, as at 30 June 2014, none of the directors nor the chief executives of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued shares and underlying shares of the Company.

#### Long Position

Name of Shareholder	Nature of interest	Number of shares	Approximate percentage of issued share capital
World Gain Holdings Limited ("World Gain")	Beneficial owner (Note 1)	2,979,456,119	61.55%
China Chengtong Hong Kong Company Limited ("CCHK")	Controlled corporation (Note 1)	2,979,456,119	61.55%
China Chengtong Holdings Group Limited ("CCHG")	Controlled corporation (Note 1)	2,979,456,119	61.55%

### Notes:

1. The entire issued share capital of World Gain is beneficially owned by CCHK, the entire issued share capital of which is beneficially owned by CCHG. Both CCHK and CCHG are deemed to be interested in all the shares of the Company held by World Gain under the SFO.

Save as disclosed above, as at 30 June 2014, no other person had any interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company dated 27 June 2013, the Company has adopted a new share option scheme ("New Share Option Scheme"). The New Share Option Scheme is for a term of 10 years from the date of adoption. No option has been granted since the adoption of the New Share Option Scheme.

Please refer to the circular of the Company dated 28 May 2013 for the details of the New Share Option Scheme.

## SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 25 April 2012 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognise the contributions by certain selected employees and to give 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. Unless terminated earlier or extended by the Board, the Share Award Scheme operates for five years commencing on the Adoption Date. The Board shall not make any further award which will result in the number of shares of the Company awarded by the Board under the Share Award Scheme representing in excess of 1% of the issued shares of the Company as at 31 March 2012 (being 41,634,522 Shares) unless the Board otherwise decides.

Please refer to the announcement of the Company dated 25 April 2012 for details of the Share Award Scheme.

There were no shares awarded to employees pursuant to the Share Award Scheme during the six months ended 30 June 2014.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code. Having made specific enquiry to each of the directors of the Company, the Company has received confirmations from all directors that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2014.

## CHANGES IN INFORMATION ON DIRECTORS

Subsequent to the date of the 2013 annual report of the Company, there are no changes in information of directors of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## OTHER INFORMATION

### 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, save as mentioned below, 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 2014.

According to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting of the Company. At the annual general meeting of the Company held on 25 June 2014 ("2014 AGM"), Mr. Yuan Shaoli, the chairman of the Board, was unable to attend due to unexpected business engagement. Mr. Wang Hongxin, the Managing Director of the Company, chaired the 2014 AGM on behalf of the chairman of the Board pursuant to the articles of association of the Company and was available to answer questions.

### REVIEW OF ACCOUNTS

The Board is of the view that the disclosure of financial information in this report 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 2014, 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.

By order of the Board  
**China Chengtong Development Group Limited**  
**Wang Hongxin**  
*Managing Director*

Hong Kong, 26 August 2014