



**CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 217)



Interim Report  
**2007**



**BOARD OF DIRECTORS****Executive Directors**

Zhang Guotong *(Vice Chairman and  
Managing Director)*

Wang Hongxin

**Non-Executive Directors**

Ma Zhengwu *(Chairman)*

Hong Shuikun

Gu Laiyun

Xu Zhen

**Independent Non-Executive Directors**

Kwong Che Keung, Gordon

Tsui Yiu Wa, Alec

Lao Youan

Ba Shusong

**AUDIT COMMITTEE**

Kwong Che Keung, Gordon *(Chairman)*

Tsui Yiu Wa, Alec

Lao Youan

Ba Shusong

Hong Shuikun

Xu Zhen

**REMUNERATION COMMITTEE**

Tsui Yiu Wa, Alec *(Chairman)*

Kwong Che Keung, Gordon

Lao Youan

Ma Zhengwu

Zhang Guotong

**COMPANY SECRETARY**

Lai Ka Fai

**AUDITORS**

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong

**PRINCIPAL BANKER**

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

**REGISTERED OFFICE**

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**SHARE REGISTRARS &  
TRANSFER OFFICE**

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Services Limited

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Tel: (852) 2862-8628

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**SHARE LISTING**

The Company's shares are listed on the  
Main Board of The Stock Exchange of  
Hong Kong Limited under Stock Code  
No. 217



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF  
CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

*(Incorporated in the Hong Kong with limited liability)*

**Introduction**

We have reviewed the interim financial information set out on pages 3 to 26, which comprises the condensed consolidated balance sheet of China Chengtong Development Group Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing 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 (“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 this 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 enquiries, 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.

**Conclusion**

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
17 September 2007

**CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007

		Six months ended 30 June	
	Notes	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Continuing operations			
Turnover	3	17,860	231,001
Cost of sales		<u>(6,250)</u>	<u>(175,194)</u>
Gross profit		11,610	55,807
Other income		3,086	1,965
Distribution costs		(613)	(6,350)
Administrative expenses		(12,118)	(7,827)
Share of result of a jointly controlled entity		(823)	-
Share of results of associates		(174)	-
Finance costs	4	<u>(113)</u>	<u>(37)</u>
Profit before taxation	5	855	43,558
Taxation charge	6	<u>(2,457)</u>	<u>(16,096)</u>
(Loss) profit for the period from continuing operations		(1,602)	27,462
Discontinued operations			
Profit (loss) for the period from discontinued operation	7	<u>32,011</u>	<u>(301)</u>
Profit for the period		<u>30,409</u>	<u>27,161</u>
Attributable to:			
Shareholders of the Company		29,125	17,270
Minority interests		<u>1,284</u>	<u>9,891</u>
		<u>30,409</u>	<u>27,161</u>
Earnings (loss) per share	8		
From continuing and discontinued operations:			
Basic		<u>HK1.080 cent</u>	<u>HK0.847 cent</u>
Diluted		<u>HK1.064 cent</u>	<u>HK0.845 cent</u>
From continuing operations:			
Basic		<u>HK(0.112) cent</u>	<u>HK0.858 cent</u>
Diluted		<u>N/A</u>	<u>HK0.856 cent</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

at 30 June 2007

	Notes	<b>30.6.2007</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31.12.2006 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>3,214</b>	1,404
Investment properties	9	<b>78,602</b>	45,000
Interest in a jointly controlled entity	10	<b>101,791</b>	99,740
Interests in associates	11	<b>41,478</b>	264
Amounts due from associates		<b>157,528</b>	148,605
Deposit	12	<b>16,800</b>	–
		<b>399,413</b>	295,013
<b>Current assets</b>			
Properties under development	9	<b>78,850</b>	–
Properties held for sale		<b>48,609</b>	50,415
Trade and other receivables	13	<b>7,883</b>	7,769
Amounts due from related companies	14	<b>4,624</b>	4,507
Restricted bank balance	15	<b>4,200</b>	4,200
Investments held for trading		<b>1,588</b>	–
Short term deposits		<b>99,918</b>	–
Bank balances and cash		<b>143,084</b>	117,372
		<b>388,756</b>	184,263
Assets classified as held for sale	16	–	50,483
		<b>388,756</b>	234,746
<b>Current liabilities</b>			
Trade and other payables	17	<b>50,443</b>	59,470
Deposits received on sale of properties		<b>5,253</b>	1,055
Loan from a related company	18	<b>16,583</b>	–
Amount due to a related company	19	<b>15,735</b>	–
Amount due to a minority shareholder of a subsidiary		<b>3,978</b>	3,978
Taxation payable		<b>20,382</b>	17,347
Unsecured other loans		<b>7,196</b>	7,196
Unsecured bank loan		<b>11,330</b>	–
		<b>130,900</b>	89,046

**CONDENSED CONSOLIDATED BALANCE SHEET** *(Continued)**at 30 June 2007*

	<i>Notes</i>	<b>30.6.2007</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31.12.2006 <i>HK\$'000</i> (Audited)
Liabilities associated with assets classified as held for sale	16	—	35,721
		<b>130,900</b>	124,767
Net current assets		<b>257,856</b>	109,979
Total assets less current liabilities		<b>657,269</b>	404,992
Non-current liabilities			
Deferred tax liabilities		<b>3,916</b>	3,937
Net assets		<b>653,353</b>	401,055
Capital and reserves			
Share capital	20	<b>263,405</b>	202,350
Reserves		<b>339,638</b>	170,462
Equity attributable to shareholders of the Company		<b>603,043</b>	372,812
Minority interests		<b>50,310</b>	28,243
Total equity		<b>653,353</b>	401,055

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007

	Attributable to shareholders of the Company								Total	Minority interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Special capital reserve	Exchange reserve	Legal surplus	Share options reserve	Accumulated (losses) profit			
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
At 1 January 2006	168,710	939,273	402	-	1,936	565	8,711	(866,531)	253,066	32,266	285,332
Exchange realignment	-	-	-	-	4,813	-	-	-	4,813	1,247	6,060
Share of changes in equity in a jointly controlled entity recognised directly in equity	-	-	-	-	(111)	-	-	-	(111)	-	(111)
Net income recognised directly in equity	-	-	-	-	4,702	-	-	-	4,702	1,247	5,949
Profit for the year	-	-	-	-	-	-	-	15,953	15,953	6,686	22,639
Total recognised income for the year	-	-	-	-	4,702	-	-	15,953	20,655	7,933	28,588
Capital Reduction (note)	-	(939,273)	-	965	-	-	-	938,308	-	-	-
Issue of new shares	33,200	66,400	-	-	-	-	-	-	99,600	-	99,600
Transaction costs attributable to issue of new shares	-	(694)	-	(965)	-	-	-	-	(1,659)	-	(1,659)
Issue of shares upon exercise of share options	440	1,439	-	-	-	-	(729)	-	1,150	-	1,150
Share option forfeited	-	-	-	-	-	-	(916)	916	-	-	-
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	(11,956)	(11,956)
At 1 January 2007	202,350	67,145	402	-	6,638	565	7,066	88,646	372,812	28,243	401,055
Exchange realignment	-	-	-	-	1,847	-	-	-	1,847	436	2,283
Share of changes in equity in a jointly controlled entity recognized directly in equity	-	-	-	-	2,874	-	-	-	2,874	-	2,874
Net income recognised directly in equity	-	-	-	-	4,721	-	-	-	4,721	436	5,157
Release and transfer upon disposal of subsidiaries	-	-	-	-	(1,556)	(565)	-	877	(1,244)	(4,073)	(5,317)
Deemed contribution from substantial shareholder	-	-	-	2,814	-	-	-	-	2,814	-	2,814
Profit for the year	-	-	-	-	-	-	-	29,125	29,125	1,284	30,409
Total recognised income and expense for the period	-	-	-	2,814	3,165	(565)	-	30,002	35,416	(2,353)	33,063
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	24,420	24,420
Rights issue	60,705	139,623	-	-	-	-	-	-	200,328	-	200,328
Capitalisation share issue expenses	-	(6,223)	-	-	-	-	-	-	(6,223)	-	(6,223)
Issue of shares upon exercise of share options	350	826	-	-	-	-	(466)	-	710	-	710
At 30 June 2007	263,405	201,371	402	2,814	9,803	-	6,600	118,648	603,043	50,310	653,353
At 1 January 2006	168,710	939,273	402	-	1,936	565	8,711	(866,531)	253,066	32,266	285,332
Capital Reduction (note)	-	(939,273)	-	965	-	-	-	938,308	-	-	-
Share option forfeited	-	-	-	-	-	-	(818)	818	-	-	-
Profit and total income recognised for the period	-	-	-	-	-	-	-	17,270	17,270	9,891	27,161
At 30 June 2006	168,710	-	402	965	1,936	565	7,893	89,865	270,336	42,157	312,493



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(Continued)*

*for the six months ended 30 June 2007*

*Note:*

On 20 June 2006, the High Court of the Hong Kong Special Administrative Region (the "High Court") made an order (the "Order") confirming the cancellation of the entire sum standing to the credit of the share premium account of the Company as at 31 December 2004 and set off with the accumulated loss of the Company as at 31 December 2004 (the "Capital Reduction"). The Order stipulated that after the Capital Reduction becoming effective, the Company will create a Special Capital Reserve in the amount of approximately HK\$965,000 representing the amount by which the Capital Reduction exceeds the total accumulated losses of the Company as at 31 December 2004 and that for so long as there remained any debt of or claim against the Company outstanding at the date when the Capital Reduction became effective which, if such date were the date of commencement of the winding up of the Company, would have been admissible in proof against the Company and the persons entitled to the benefit thereof had not have agreed otherwise, such reserve:

- (i) should not be treated as realised profits for the purpose of Section 79B of the Companies Ordinance;
- (ii) should, for so long as the Company remained a listed company, be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof.

It was also provided in the Order that, notwithstanding the above undertaking, (a) the Special Capital Reserve might be applied for the same purposes as a share premium account might be applied; (b) the amount standing to the credit of the Special Capital Reserve might be reduced by the aggregate of any increase in the paid up share capital or the amount standing to the credit of the share premium account of the Company resulting from the payment up of shares by the receipt of new consideration or upon a capitalisation of distributable reserve after the Capital Reduction becoming effective; and (c) in the event that the amount of the Special Capital Reserve is so reduced, the Company shall be at liberty to transfer the amount of any such reduction to the general reserves of the Company and the same shall become available for distribution. During the year ended 31 December 2006, the Special Capital Reserve is applied to set off with the transaction cost attributable to the issue of new shares.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2007

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash (used in) generated from operating activities	<b>(6,428)</b>	12,024
Net cash used in investing activities:		
Capital contribution to a jointly controlled entity	-	(48,000)
Increase in restricted bank balance	-	(4,200)
Purchase of property, plant and equipment	<b>(933)</b>	(219)
Proceeds of disposal of property, plant and equipment	-	552
Repayment of amount due from an associate	<b>8,736</b>	8,736
Advance to an associate	<b>(17,659)</b>	-
Interest received	<b>1,813</b>	-
Increased in short term deposits	<b>(99,918)</b>	-
Acquisition of subsidiaries	<b>(39,725)</b>	-
Disposal of subsidiaries	<b>(326)</b>	-
Deposit paid for acquisition of additional interest in a subsidiary	<b>(16,800)</b>	-
	<b>(164,812)</b>	(43,131)
Net cash generated from financing activities		
Interest paid	-	(737)
Rights issue of shares	<b>200,328</b>	-
Share issue expenses paid	<b>(6,223)</b>	-
Issue of shares upon exercise of share options	<b>710</b>	-
Other loan raised	-	18,033
	<b>194,815</b>	17,296
Net increase (decrease) in cash and cash equivalents	<b>23,575</b>	(13,811)
Cash and cash equivalents at beginning of the period	<b>117,372</b>	115,058
Effect of foreign equivalents at 30 June	<b>2,137</b>	-
Cash and cash equivalents at end of the period, comprising bank balances and cash	<b>143,084</b>	101,247

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2007

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard (the "HKAS") 34 Interim Financial Reporting.

The condensed consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company is Renminbi. The Company uses Hong Kong dollars as its presentation currency because the Company is a public company incorporated in Hong Kong with its shares listed on the Stock Exchange.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006. In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS2
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-INT 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC)-INT 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

#### Business segments

The Group's principal activities are trade and manufacture of cement, property investment and property development. These business segments are the basis on which the Group reports its primary segment information. During the period ended 30 June 2007, the Group discontinued its business of trade and manufacture of cement. During the period ended 30 June 2006, the Group discontinued its trade of goods business. Segment information about these businesses is presented as below:

30 June 2007

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Property investment HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Sub total HK\$'000	Trade and manufac- turing of cement HK\$'000	Unallocated HK\$'000	
Turnover							
Segment turnover	611	17,249	-	17,860	27,454	-	45,314
Result							
Segment result	358	7,543	-	7,901	32,008	-	39,909
Unallocated corporate expenses	-	-	(8,979)	(8,979)	-	-	(8,979)
Unallocated other income	-	-	3,043	3,043	-	3	3,046
Share of result of a jointly controlled entity	-	-	(823)	(823)	-	-	(823)
Share of result of associates	-	-	(174)	(174)	-	-	(174)
Finance costs				(113)			(113)
Profit before taxation				855		32,011	32,866
Taxation charge				(2,457)		-	(2,457)
Net (loss) profit for the period				(1,602)		32,011	30,409

### 3. TURNOVER AND SEGMENT INFORMATION *(Continued)* Business segments *(Continued)*

30 June 2006

	Continuing operations				Discontinued operations			Sub total	Consolidated
	Property investment	Property development	Unallocated	Sub total	Trade of goods	Trade and manufacturing of cement	Unallocated		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover									
Segment turnover	-	231,001	-	231,001	-	16,738	-	16,738	247,739
Result									
Segment result	820	49,107	-	49,927	(3)	400	-	397	50,324
Unallocated corporate expenses	-	-	(8,277)	(8,277)	-	-	-	-	(8,277)
Unallocated other income	-	-	1,945	1,945	-	-	2	2	1,947
Finance costs				(37)				(700)	(737)
Profit (loss) before taxation				43,558				(301)	43,257
Taxation charge				(16,096)				-	(16,096)
Net profit (loss) for the period				27,462				(301)	27,161

### 4. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended	2006	Six months ended	2006	Six months ended	2006
	30 June	2006	30 June	2006	30 June	2006
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	(113)	(37)	-	(700)	(113)	(737)

## 5. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:						
Depreciation of property, plant and equipment	334	170	1,047	720	1,381	890
and after crediting:						
Interest income	1,810	1,185	3	2	1,813	1,187
Gain on disposal of property, plant and equipment	-	-	-	335	-	335
Gain on disposal of investment held for trading	1,225	210	-	-	1,225	210
	<u>1,225</u>	<u>210</u>	<u>-</u>	<u>-</u>	<u>1,225</u>	<u>210</u>

## 6. TAXATION CHARGE

	Continuing operations	
	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
Continuing operations		
Current tax (charge) credit		
Hong Kong	-	284
People's Republic of China ("PRC")	(2,478)	(16,834)
Deferred tax credit	21	454
Taxation charge for the period	<u>(2,457)</u>	<u>(16,096)</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both periods. The tax charge in prior period represented overprovision in previous years.

## 6. TAXATION CHARGE *(Continued)*

PRC Enterprise Income Tax is provided for with reference to the applicable tax rates prevailing in the respective regions of the Mainland China on the estimated assessable profits of the Group's PRC subsidiaries.

On 16 March 2007, the Enterprise Income Tax Law (the "new EIT law") was passed at the Fifth Session of the Tenth National People's Congress of the PRC. The new EIT law will be effective as of 1 January 2008. The directors of the Company anticipate that the application of the new EIT law had no material impact on the results and the financial position of the Group.

## 7. DISCONTINUED OPERATIONS

The results of business of trade of goods and trade and manufacture of cement for the period, which have been included in the condensed consolidated income statements, were as follows:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>27,454</b>	16,738
Other income	<b>247</b>	505
Gain on disposal of subsidiaries	<b>32,003</b>	-
Cost of sales	<b>(24,621)</b>	(15,196)
Selling expenses	<b>(560)</b>	(398)
Administrative expenses	<b>(2,512)</b>	(1,250)
Finance cost	<b>-</b>	(700)
	<hr/>	<hr/>
Profit (loss) for the period from discontinued operations	<b>32,011</b>	(301)
	<hr/>	<hr/>
Attributable to:		
Shareholders of the Company	<b>32,154</b>	(215)
Minority interests	<b>(143)</b>	(86)
	<hr/>	<hr/>
	<b>32,011</b>	(301)
	<hr/>	<hr/>



## 8. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<b>29,125</b>	17,270
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>2,697,610,900</b>	2,038,022,801
Effect of dilutive potential ordinary shares in respect of share options	<b>40,811,078</b>	4,837,242
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<b>2,738,421,978</b>	2,042,860,043

The weighted average number of ordinary shares for the purpose of earnings/(loss) per share calculation has been adjusted for the rights issue on 16 April 2007.

## 8. EARNINGS (LOSS) PER SHARE *(Continued)*

### From continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations is based on the following data:

(Loss) earnings figures are calculated as follows:

	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Profit for the period and earnings for the purposes of basic and diluted (loss) earnings per share	<b>29,125</b>	17,270
<i>Less:</i> (Profit) loss for the period from discontinued operations	<b>(32,154)</b>	215
(Loss) profit for the period and (loss) earnings for the purposes of basic and diluted (loss) earnings per share from continuing operations	<b>(3,029)</b>	17,485

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share. No diluted loss per share for continuing operations for the period ended 30 June 2007 has been presented because the exercise of share options will be anti-dilutive.

### From discontinued operations

Basic and diluted earnings per share for discontinued operations for the period are HK1.192 cent per share and HK\$1.176 cent per share respectively (2006: HK0.011 cent per share for basic loss per share). No diluted loss per share for discontinued operations for the period ended 30 June 2006 has been presented because the exercise of share options will be anti-dilutive.

## 9. PROPERTY, PLANT AND EQUIPMENT, PROPERTIES UNDER DEVELOPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK\$933,000 (six months period ended 30 June 2006: HK\$219,000) on acquisition of property, plant and equipment.

During the period, the Group acquired properties under development of HK\$78,850,000 of which HK\$77,971,000 was through acquisition of 52% equity interest in a property holding company, 西安富祥房地產開發有限公司 (“西安富祥”) by a 70% owned subsidiary, 中實投資有限責任公司 (“Zhongshi”).

Investment properties:

	<b>30.6.2007</b>	31.12.2006
	<b>HK\$'000</b>	HK\$'000
FAIR VALUE		
At beginning of period/year	<b>45,000</b>	86,400
Addition from acquisition of a subsidiary <i>(note)</i>	<b>32,844</b>	-
Addition	<b>436</b>	-
Transfer of investment properties	-	(41,490)
Decrease in fair value	-	(1,782)
Currency realignment	<b>322</b>	1,872
	<b>78,602</b>	45,000

*Note:* During the period, the Group acquired investment properties amounting to HK\$32,844,000 through acquisition of 100% equity interest in a property holding company, 洛陽城南中儲物流有限公司 (“洛陽城南”) (formerly known as 洛陽關林中儲物流中心) by Zhongshi.

At 30 June 2007, the directors have considered the Group's investment properties are carried at fair values at the balance sheet date. No gains or losses arising from changes in the fair value has been recognised in profit or loss during the current period.

**10. INTEREST IN A JOINTLY CONTROLLED ENTITY**

	<b>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 HK\$'000
Cost of investment in jointly controlled entity	<b>98,174</b>	98,174
Share of post acquisition losses	<b>(1,551)</b>	(728)
Share of post acquisition reserves	<b>5,168</b>	2,294
	<b>101,791</b>	99,740

The principal investment in a jointly controlled entity at 30 June 2007 represents the Company's interest in 50% of registered capital of 湖州萬港聯合置業有限公司 (Huzhou Wangang United Estate Company Limited).

**11. INTERESTS IN ASSOCIATES**

	<b>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 HK\$'000
Cost of investment in associates	<b>61,261</b>	12,185
Share of post acquisition losses	<b>(12,095)</b>	(11,921)
	<b>49,166</b>	264
Unrealised gain on disposal of subsidiaries to an associate ( <i>note 23</i> )	<b>(7,688)</b>	-
	<b>41,478</b>	264

**12. DEPOSIT**

On 27 March 2007, the Group entered into an agreement ("Agreement") with 北京興合動力投資管理有限公司 ("Vendor") to acquire 30% equity interest in a 70% owned subsidiary, Zhongshi, from the Vendor at consideration of RMB24,000,000 (equivalent to HK\$24,000,000).

The deposit of HK\$16,800,000 represented the deposit paid for acquisition of the additional 30% interest in the 70% owned subsidiary. As at 30 June 2007, the Agreement is still pending for government authority's approval for completion. Details of the commitment for the remaining consideration are set out in note 22.

**13. TRADE AND OTHER RECEIVABLES**

	<b>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 HK\$'000
Trade receivables	<b>3,182</b>	3,207
Prepayments and deposits	<b>2,350</b>	3,184
Other receivables	<b>2,351</b>	1,378
	<b>7,883</b>	7,769

The Group allows an average credit period of 30 days (31 December 2006: 30 days) to its trade customers on open account credit terms. The aged analysis of the trade receivables is as follows:

	<b>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 HK\$'000
Within one year	<b>184</b>	-
Over three years	<b>2,998</b>	3,207
	<b>3,182</b>	3,207

**14. AMOUNTS DUE FROM RELATED COMPANIES**

<b>Name of related companies</b>	<b>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 HK\$'000
中國物資開發投資總公司	<b>4,017</b>	3,900
Nardu Company Limited	<b>177</b>	177
Panyu Lucky Rich Real-Estates Development Limited	<b>430</b>	430
	<b>4,624</b>	4,507

The amounts are unsecured, interest-free and repayable on demand. 中國物資開發投資總公司 is a subsidiary of China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company prior to 20 July 2006), a holding company of a substantial shareholder of the Company. Nardu Company Limited and Panyu Lucky Rich Real-Estates Development Limited are subsidiaries of China Chengtong Hong Kong Company Limited, a substantial shareholder of the Company.

**15. RESTRICTED BANK BALANCE**

Pursuant to the order the High Court of the Hong Kong Special Administrative Region dated 20 June 2006 confirming the Capital Reduction of the Company which became effective on 21 June 2006 (the "Effective Date"), a sum of HK\$4,200,000 ("Trust Fund") was on 20 June 2006 deposited into a new and segregated bank deposit account designated "CCDG Capital Reduction Account" ("Trust Account") in the name of Key Asset Limited (a wholly owned subsidiary of the Company) ("Trustee") as trustee for the benefit of those creditors of the Company who have not given their consents the Capital Reduction as at the Effective Date ("Non-consenting Creditors"). In relation to the said trust, it is undertaken by the Company and the Trustee that: (a) the Company will procure the Trustee to apply the Trust Fund for the sole and exclusive purpose of paying the Non-consenting Creditors in discharge, satisfaction or settlement of their projected claims on the Effective Date ("Pre-Capital Reduction Claims"); (b) in the event that any Non-consenting Creditors shall give its consent to the Capital Reduction subsequent to the Effective Date, the amount of the Trust Fund shall be reduced by the relevant Pre-Capital Reduction Claims from the said Non-consenting Creditors(s) and the Trustee shall be at liberty to transfer the amount of any such reduction(s) to the other bank accounts of the Company and the same shall become available for working capital or any other general uses of the Company; (c) the Trustee shall maintain to the credit of the Trust Account a cash balance of not less than the aggregate Pre-Capital Reduction Claims from the remaining Non-consenting Creditors outstanding at any time whilst the Trust Account remains operated; (d) the Company and the Trustee shall maintain the Trust Account for a period of six years from the Effective Date unless it is terminated earlier upon the happening of any of the following events, i.e., (aa) all the Pre-Capital Reduction Claims shall have been paid, satisfied, settled or otherwise extinguished; (bb) the remaining Non-consenting Creditors shall subsequently give their consents to the Capital Reduction; (cc) any period of limitation in respect of the remaining Pre-Capital Reduction Claims shall have expired; or (dd) such earlier date as the High Court shall direct upon application by the Company.

## 16. DISCONTINUED OPERATION

The assets and liabilities attributable to the trade and manufacture of cement business, which were sold on 20 June 2007, have been classified as assets held for sale and liabilities associated with assets classified as held for sales and are presented separately in the consolidated balance sheet as at 31 December 2006. The carrying amounts of the major classes of assets and liabilities as at 31 December 2006, which have been presented separately in the consolidated balance sheet, are as follows:

	<b>30.6.2007</b> <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
Property, plant and equipment	-	35,103
Inventories	-	5,191
Trade and other receivables	-	6,606
Bills receivable	-	1,000
Amount due from a minority shareholder	-	1,416
Bank balances and cash	-	1,167
	<hr/>	<hr/>
Assets classified as held for sale	-	50,483
	<hr/>	<hr/>
Trade and other payables	-	(26,721)
Secured other loan	-	(9,000)
	<hr/>	<hr/>
Liabilities associated with assets classified as held for sale	-	(35,721)
	<hr/>	<hr/>
Net assets classified as held for sale	-	14,762
	<hr/>	<hr/>

## 17. TRADE AND OTHER PAYABLES

	<b>30.6.2007</b> <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
Trade payables	<b>17,736</b>	30,103
Other deposits received, other payables and accruals	<b>32,707</b>	29,367
	<hr/>	<hr/>
	<b>50,443</b>	59,470
	<hr/>	<hr/>



**17. TRADE AND OTHER PAYABLES** *(Continued)*

The aged analysis of the trade payables is as follows:

	<b>30.6.2007</b>	31.12.2006
	<b>HK\$'000</b>	HK\$'000
Between one and three years	<b>10,080</b>	–
Over three years	<b>7,656</b>	30,103
	<b>17,736</b>	30,103

**18. LOAN FROM A RELATED COMPANY**

The amount represents loan from a subsidiary of the holding company of a substantial shareholder of the Company assumed from the acquisition of 西安富祥 by Zhongshi during the period. The amount is unsecured repayable on demand and bears interest at 10% – 12% per annum. The directors of the Company consider that the fair value at 30 June 2007 approximates to the carrying amount.

**19. AMOUNT DUE TO A RELATED COMPANY**

The amount is due to a subsidiary of the holding company of a substantial shareholder of the Company. Included in the amount, HK\$12,030,000 and HK\$3,337,000 represent the unpaid portion of consideration and the amount due to a related company assumed from acquisition of 洛陽城南 respectively. The amount is unsecured, interest-free and repayable on demand. The directors of the Company considered that the fair value at 30 June 2007 approximates to the carrying amount.

**20. SHARE CAPITAL**

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.1 each issued and fully paid		
At 1 January 2007	<b>2,023,505</b>	<b>202,350</b>
Exercise of share options	<b>3,500</b>	<b>350</b>
Rights issue <i>(Note)</i>	<b>607,051</b>	<b>60,705</b>
At 30 June 2007	<b>2,634,056</b>	<b>263,405</b>

*Note:* On 21 March 2007, the Company raised total of HK\$194,105,000 (net of transaction costs) through rights issue of 607,051,490 shares at HK\$0.33 per share (HK\$0.1 par). The issue is in the proportion of three rights shares for every ten existing shares held.

## 21. 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>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 <i>HK\$'000</i>
Within one year	<b>2,228</b>	1,993
In the second to fifth years	<b>2,890</b>	3,371
	<b><u>5,118</u></b>	<u>5,364</u>

### As lessor

The Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	<b>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 <i>HK\$'000</i>
Within one year	<b>1,752</b>	544
In the second to fifth year inclusive	<b>2,283</b>	802
More than 5 years	-	700
	<b><u>4,035</u></b>	<u>2,046</u>

## 22. CAPITAL COMMITMENTS

	<b>30.6.2007</b> <b>HK\$'000</b>	31.12.2006 <i>HK\$'000</i>
Capital commitment in respect of acquisition of additional interest in a subsidiary contracted but not provided for ( <i>note</i> )	<b><u>10,506</u></b>	<u>-</u>

*Note:* The amount of capital commitment represented the maximum commitment in respect of acquisition of additional interest in Zhongshi which is subject to the adjustment of certain profit element of Zhongshi.

### 23. DISPOSAL OF SUBSIDIARIES

On 12 October 2006, the Group entered into a conditional agreement with CIMPOR Inversiones SA ("CIMPOR") to establish a company, namely, CIMPOR Chengtong Cement Corporation Limited ("CIMPOR Chengtong") pursuant to which the Group would own 20% equity interest and CIMPOR would own 80% equity interest in CIMPOR Chengtong. The Group's contribution to CIMPOR Chengtong is by way of transfer of its entire interest in a subsidiary, Sea-Land Mining Limited ("Sea-Land") and Sea-Land's subsidiary, 蘇州南達水泥有限公司 (collectively the "Sea-Land Group") to CIMPOR Chengtong while CIMPOR contributed HK\$196,304,000 in cash. The total value of the business of Sea-Land Group is agreed at HK\$49,076,000. This transaction was completed on 20 June 2007.

The net assets of Sea-Land Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	35,138
Inventories	7,073
Trade and other receivables	17,957
Bank balances and cash	326
Trade and other payables	(45,792)
	<hr/>
	14,702
Minority interest	(4,073)
	<hr/>
	10,629
Unrealised gain	7,688
Reserves realised	(1,244)
Gain on disposal	32,003
	<hr/>
20% interest in CIMPOR Chengtong	49,076
	<hr/>
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	326
	<hr/>

## 24. ACQUISITION OF SUBSIDIARIES

The net assets acquired in the transactions are as follows:

	Acquiree's carrying amount before combination			Fair value adjustments			Fair value		
	西安富祥	洛陽城南	Total	西安富祥	洛陽城南	Total	西安富祥	洛陽城南	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:									
Property, plant and equipment	169	1,035	1,204	-	-	-	169	1,035	1,204
Investment properties	-	28,793	28,793	-	4,051	4,051	-	32,844	32,844
Properties under development	57,605	-	57,605	20,366	-	20,366	77,971	-	77,971
Trade and other receivables	68	488	556	-	-	-	68	488	556
Bank balances and cash	588	287	875	-	-	-	588	287	875
Trade and other payables	(2,340)	(299)	(2,639)	-	-	-	(2,340)	(299)	(2,639)
Amounts due to related companies	(16,422)	(3,305)	(19,727)	-	-	-	(16,422)	(3,305)	(19,727)
Bank loans	(11,220)	-	(11,220)	-	-	-	(11,220)	-	(11,220)
	<u>28,448</u>	<u>26,999</u>	<u>55,447</u>	<u>20,366</u>	<u>4,051</u>	<u>24,417</u>	<u>48,814</u>	<u>31,050</u>	<u>79,864</u>
Minority interests							(23,214)	(1,206)	(24,420)
Deemed contribution from substantial shareholder							-	(2,814)	(2,814)
							<u>25,600</u>	<u>27,030</u>	<u>52,630</u>
Total consideration, satisfied by:									
Cash							25,600	15,000	40,600
Deferred consideration							-	12,030	12,030
							<u>25,600</u>	<u>27,030</u>	<u>52,630</u>
Net cash outflow arising on acquisition:									
Cash consideration paid							(25,600)	(15,000)	(40,600)
Bank balances and cash acquired							588	287	875
							<u>(25,012)</u>	<u>(14,713)</u>	<u>(39,725)</u>

**25. MAJOR NON-CASH TRANSACTION**

On 20 June 2007, the Group disposed of the entire interest of a subsidiary, Sea-Land Mining Limited, for a consideration satisfied by 20% interest in an associate, CIMPOR Chengtong, amounting to HK\$49,076,000.

**26. RELATED PARTY TRANSACTIONS**

On 8 June 2007, the Group acquired investment properties and properties under development through acquisition of entire equity interest in 洛陽城南 and 52% equity interest in 西安富祥 by its 70% owned subsidiary, Zhongshi, at consideration of RMB26,680,000 (equivalent to approximately HK\$27,030,000) and RMB25,600,000 (equivalent to approximately HK\$25,600,000) from two subsidiaries of China Chengtong Holdings Group Limited, a holding company of a substantial shareholder of the Company respectively.

## INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group made solid progress in enhancing the growth and quality of its assets. It completed a rights issue to raise fund of approximately HK\$200 million for working capital and business development. It acquired 52% interest in a residential development project in Xian, and the entire equity interest in Luoyang Southern City CMST Logistics Limited. In order to leverage on the property investment platform of Zhongshi Investment Company Limited ("Zhongshi"), its 70% owned subsidiary, for its property development business in Mainland China, it entered into an agreement for an acquisition of 30% interests of Zhongshi from its minority shareholder during the period under review. In addition, it lined up with an international leading cement company to form a joint venture Cimpor Chengtong Cement Corporation Limited ("CCCC") for the furtherance of the cement business in Mainland China. Through the group's dedicated efforts in all the moves, its net assets value has not only achieved an increase of 63% from approximately HK\$401 million at 31 December 2006 to approximately HK\$653 million at 30 June 2007, such efforts also broaden its assets base and future income sources.

### Financial Results

Turnover from the Group's continuing operation for the period under review was approximately HK\$17.9 million, representing a significant decrease of approximately 92% when compared with the last corresponding period. The turnover of the Group for both the period under review and the corresponding last period comprised mainly of the sale revenue of the property development project known as City of Mergence in Beijing, the People's Republic of China (the "PRC") of Zhongshi. As at the end of 2006, nearly all the residential units of City of Mergence had been disposed of.

Nonetheless, the Group still managed to record a net profit attributable to shareholders of approximately HK\$29.1 million, an increase of approximately 69% when compared with the corresponding last period. It was mainly attributable to the gain on disposal of Sea-Land Mining Limited, its wholly-owned subsidiary, which holds 71.03% interests in Suzhou Nanda Cement Company Limited, to CCCC.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***Property Development***Beijing*

The Group's property development project City of Mergence located at Xicheng District, Beijing, comprises a total of 292 residential units, 228 car parks, commercial units of a total gross area of approximately 3,400 square metres and storage area of approximately 700 square metres. As at the end of 2006, 290 residential units and 115 car parks had been disposed of. It disposed of the commercial units of approximately 850 square metres and 4 car parks in the first half of 2007.

*Huzhou*

The Group acquired 50% indirect interest in a sino-foreign joint venture which is solely engaged in the development of a property development project with site area of approximately 214,000 square metres and gross floor area of approximately 320,000 square metres located in Huzhou City, Zhejiang Province of the PRC at a consideration of RMB27.5 million in 2006. It had also made the remaining capital contribution of approximately RMB73.2 million in 2006. As at 30 June 2007, the project's total investment of approximately RMB500 million and the construction work of the main structure of the majority of its 92 blocks of the buildings had been completed. The construction work of the whole project is expected to be completed by the end of 2007 and delivered for use in May 2008. Its whole development will be purchased by Huzhou People's Government at an agreed consideration.

*Xian*

During the period under review, Zhongshi has completed the acquisition of 52% interest in a joint venture established in the PRC which is solely engaged in developing a commodity residential development project located at Xian City, the PRC with a site area of approximately 79,000 square metres at a consideration of RMB25.6 million.

**Property Investments***Guangzhou*

The property located at Zone C, level 3, Li Wan Plaza, No. 9 Dexing Lu, Li Wan District, Guangzhou contributed net rental income to the Group of approximately RMB400,000 for the six months ended 30 June 2007.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **Property Investments** *(Continued)*

#### *Price Sales Limited*

Price Sales Limited owns 32% interest in Goodwill (Overseas) Limited. Through advancing a loan to Kingdom Land Investment & Development Co. Limited for the purpose of development of East Ocean Centre Phase 2 located in Shanghai, Goodwill (Overseas) Limited shared in its rental income. The occupancy rate of East Ocean Centre Phase 2 continued to maintain high. It contributed a net cash inflow of approximately HK\$8.7 million to the Group in the first half of 2007.

### **Land Reserve Exploitation**

#### *Luoyang*

During the period under review, Zhongshi has completed the acquisition of the entire interest in Luoyang Southern City CMST Logistics Limited at a consideration of RMB26.7 million. It owns a piece of land together with the warehouse complex erected thereon with site area of approximately 80,000 square metres located at Luoyang City, Henan Province of the PRC. Its principal activities are currently storage, transportation and logistics. The land is currently used for industrial use but it has been zoned into the new commercial development area by the local government. Application will be made to the local government for conducting commercial exploitation when appropriate. Before that, the Group will identify a partner such that the piece of land and whole logistic assets will be leased to it.

### **Cement**

The Group has lined up with Cimpor – Cimentos de Portugal, SGPS, S.A. (“Cimpor”), which is an international leading cement group listed on the Euronext exchange in Lisbon, to form CCCC in the furtherance of cement business in Mainland China. The subscription of the shares in CCCC was completed in June 2007. The subscription price HK\$49,076,000 paid by the Group for its 20% shares in CCCC was satisfied by the transfer of its entire interest in Sea-Land Mining Limited which solely holds 71.03% interest in Suzhou Nanda Cement Company Limited. CCCC had completed the acquisition of 60% interest in a company established in Shandong, the PRC which is engaged in clinker and cement production and related businesses, in the first half of 2007. It will endeavour to enhance the profitability of its subsidiaries (cement companies) and continued to identify appropriate investment targets in cement industry in Mainland China.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Outlook

In the first half of 2007, GDP of the PRC grew at 11.5% by comparing to the same period last year, consumer price index rose by 3.2%, the price indices for assets (the price index for real estate and stock market index etc.) also continued to rise. In order to prevent the economy from developing too rapidly towards overheating, the relevant departments of the PRC government implemented the concept of scientific development and continued to roll out various macroeconomic measures and further reform the open policy. We believed that these policies would enable the economy of the PRC to maintain healthy and quicker development such that it will not become too volatile. This will have positive impact on the Group's businesses of property and land development, and strategic investment in cement industry etc. The appreciation of Reminbi continued to accelerate in the first half of 2007. Its future trend will also help to enhance the value of land resources and properties of the group.

According to the recent approval from the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") on the strategy of the development of the Group's ultimate controlling shareholder China Chengtong Holdings Group Limited ("CCHG"), its development target in the next five years will be: According to the requirements from SASAC, it will play a special role in the restructuring and reorganisation of the enterprises under the supervision of the Central Government ("Central Enterprises"). It will take over and reorganise the assets from a larger number of Central Enterprises in 2012, and become an asset operating company with strong competitive power to provide service for adjusting the distribution of Central Enterprises. The Company is the only company of CCHG that is listed in the international capital market. This process will bring substantial development business opportunities. In the first half of 2007, the Group has conducted a lot of investigation, verification work in view of different types of land resources exploitation, property development and strategic investment in cement industry etc, with emphasis on the system of CCHG and local state-owned enterprises and also the integration with the assets operating business. With this foundation, it will endeavour to identify appropriate investment targets in the second half of 2007. The board is confident of the rapid growth of its assets and continued enhancement of its profitability.

### Gearing Ratio

As at 30 June 2007, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK\$39 million and total assets of approximately HK\$788 million, was 0.05 (31 December 2006: 0.04).

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Liquidity and Capital Resources**

The Group's financial position remained healthy during the period under review.

At 30 June 2007, the Group had cash and bank balances amounting to HK\$247 million (31 December 2006: HK\$122 million), and current assets and current liabilities of HK\$389 million and HK\$131 million respectively (31 December 2006: HK\$235 million and HK\$125 million respectively). Out of the cash and bank balances of HK\$247 million at 30 June 2007, a sum of HK\$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

At 30 June 2007, the Group's bank borrowings amounted to approximately HK\$11 million which was unsecured and repayable within one year with interest at commercial rate. The loans due to a related company and a minority shareholder of approximately HK\$21 million were unsecured and bears interest at commercial rate, all the other loans due by the Group are unsecured 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, ensuring a solid financial position to support its future growth.

### **Foreign Exchange Risk Management**

The business activities and operation of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Group considers that the appreciation in Renminbi does not impose a significant foreign exchange risk to the Group since its PRC operations mainly use their income in Renminbi to settle their expenses.

### **Human Resources**

At 30 June 2007, the Group employed a total of 62 employees, of which 12 were based in Hong Kong and 50 were based in Mainland China. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

### **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

For the six months ended 30 June 2007, 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 2007, none of the directors of the Company had interests in or short positions of the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance [Chapter 571 of the Laws of Hong Kong] ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

Apart from as disclosed under the paragraph headed "Share Options Scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors, chief executives or their respective spouse, or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors and the chief executives to acquire such rights in any other body corporate.

## SHARE OPTIONS SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 24 June 2003, a share option scheme was adopted by the Company. Details of movements in the Company's outstanding share options during the six months ended 30 June 2007 are set out below:

Name of category of participant	Date of grant	Exercise period	Previous exercise price per share HK\$	Adjusted exercise price per share HK\$ <i>(See Note)</i>	Number of share options					Aggregate long position in underlying shares to issued share capital of the Company %	
					Outstanding at 31.12.2006	Adjusted during the period <i>(See Note)</i>	Granted during the period	Exercised during the period	Lapsed during the period		Outstanding at 30.6.2007
<b>Directors</b>											
Ma Zhengwu	8.3.2004	9.3.2005 to 8.3.2009	0.364	0.3012	1,200,000	1,450,390	-	-	-	1,450,390	0.055
Zhang Guotong	8.3.2004	9.3.2005 to 8.3.2009	0.364	0.3012	1,200,000	1,450,390	-	-	-	1,450,390	0.117
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	3,000,000	3,625,975	-	(2,000,000)	-	1,625,975	
Hong Shuikun	8.3.2004	9.3.2005 to 8.3.2009	0.364	0.3012	1,200,000	1,450,390	-	-	-	1,450,390	0.055
Gu Laiyun	8.3.2004	9.3.2005 to 8.3.2009	0.364	0.3012	1,200,000	1,450,390	-	-	-	1,450,390	0.147
	28.9.2004	29.9.2005 to 28.9.2005	0.245	0.2027	2,000,000	2,417,317	-	-	-	2,417,317	
Xu Zhen	8.3.2004	9.3.2005 to 8.3.2009	0.364	0.3012	600,000	725,196	-	-	-	725,196	0.028
					<u>10,400,000</u>	<u>12,570,048</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>	<u>10,570,048</u>	
<b>Employees</b>											
In aggregate	8.3.2004	9.3.2005 to 8.3.2009	0.364	0.3012	10,450,000	12,872,214	-	-	-	12,872,214	
	28.9.2004	29.9.2005 to 28.9.2008	0.245	0.2027	19,250,000	23,266,680	-	(1,500,000)	-	21,766,680	
					<u>29,900,000</u>	<u>36,138,894</u>	<u>-</u>	<u>(1,500,000)</u>	<u>-</u>	<u>34,638,894</u>	1.315
Total					<u>40,300,000</u>	<u>48,708,942</u>	<u>-</u>	<u>(3,500,000)</u>	<u>-</u>	<u>45,208,942</u>	

*Note:* The Rights Issue of the Company was completed on 12 April 2007. Pursuant to the terms of Share Option Scheme, the exercise price and number of shares that can be subscribed for under the Scheme are required to be adjusted upon the completion of the Rights Issue.

## SUBSTANTIAL SHAREHOLDERS AND OTHERS

Substantial shareholders and others person who are required to disclose their interests pursuant to Part XV of the SFO.

As at 17 September 2007, the following shareholders had interests in or short positions of the shares and underlying shares of the Company as recorded in register required to be kept by the Company under section 336 of the SFO.

### Substantial shareholders of the Company

Name	Capacity	Number of shares held for long position	Approximate percentage
World Gain Holdings Limited	controlled corporation <i>(Note 1)</i>	791,814,913	29.85%
China Chengtong Hong Kong Company Limited	controlled corporation <i>(Note 1)</i>	791,814,913	29.85%
China Chengtong Holdings Group Limited	beneficial owner	791,814,913	29.85%

*Note 1:* The entire share capital of World Gain Holdings Limited is beneficially owned by China Chengtong Hong Kong Company Limited, the entire issued share capital of which is beneficially owned by China Chengtong Holdings Group Limited (formerly known as China Chengtong Holdings Company).

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 17 September 2007.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all the directors of the Company, they confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2007.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has complied with provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that a sufficient number of independent non-executive directors shall be appointed by listed issuers and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. For the detailed profile of the independent non-executive directors of the Company, please see the annual report of the Company for the year 2006.

## **CORPORATE GOVERNANCE**

The directors consider that the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007, with deviations from the code provision A.4.1 of the Code in respect of the service term and rotation of directors.

Under the Code provision A.4.1 non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all directors of the Company (executive and non-executive) are subject to the retirement provisions under Article 105 of the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporation governance practices are no less exacting than those in the Code.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises four independent non-executive directors, including Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, Mr. Lao Youan and Mr. Ba Shusong and two non-executive directors, including Mr. Hong Shuikun and Ms. Xu Zhen. The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, the auditors of the Company.

## **REMUNERATION COMMITTEE**

Pursuant to the provisions of the Code as set out in Appendix 14 of the Listing Rules, the Board of Directors has established the remuneration committee. The committee comprises the non-executive Chairman, Mr. Ma Zhengwu, the Managing Director, Mr. Zhang Guotong, and three Independent Non-executive Directors, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Lao Youan. Mr. Tsui is the Chairman of the committee. The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters.

### NOMINATION COMMITTEE

The Company has established a Nomination Committee and was chaired by the Chairman of the Board, members of the Nomination Committee including the managing director and all of the three Independent Non-executive Directors. Nomination Committee responsible for nominating potential candidates for directorship appointment and succession, regular review on the composition and structure of the Board and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board.

### DISCLOSURE PURSUANT TO THE LISTING RULES

As at 30 June 2007, the aggregate amount of advances made by the Group to its associate was approximately HK\$140,956,000.

The unaudited combined balance sheet of the associate, Goodwill (Overseas) Limited as at 30 June 2007 disclosed in accordance with 13.22 of Chapter 13 of the Listing Rules is as follows:

	<i>HK'000</i>
Non-current assets	430,351
Current assets	23
Current liabilities	(578)
Net current liabilities	(555)
Non-current liabilities	
Shareholders' loans	(433,205)
Net liabilities	(3,409)

By Order of the Board  
**China Chengtong Development Group Limited**  
**Zhang Guotong**  
*Vice Chairman and Managing Director*

Hong Kong, 17 September 2007