



中國誠通發展集團有限公司

**China Chengtong Development Group Limited**

(Incorporated in Hong Kong with limited liability)

Stock Code: 217

**2012**

Interim Report



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Zhang Guotong (*Chairman*)

Yuan Shaoli (*Vice Chairman*)

Wang Hongxin (*Managing Director*)

Wang Tianlin (*Deputy General Manager*)

### Independent Non-Executive Directors

Kwong Che Keung, Gordon

Tsui Yiu Wa, Alec

Ba Shusong

## AUDIT COMMITTEE

Kwong Che Keung, Gordon (*Chairman*)

Tsui Yiu Wa, Alec

Ba Shusong

## REMUNERATION COMMITTEE

Tsui Yiu Wa, Alec (*Chairman*)

Kwong Che Keung, Gordon

Zhang Guotong

## NOMINATION COMMITTEE

Zhang Guotong (*Chairman*)

Kwong Che Keung, Gordon

Tsui Yiu Wa, Alec

## COMPANY SECRETARY

Cheng Ka Wai

## AUDITOR

BDO Limited

## PRINCIPAL BANKERS

Agricultural Bank of China Limited

Bank of China (Hong Kong) Limited

The Hong Kong 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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[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

46/F., Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

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

# 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 4 to 30, which comprises the condensed consolidated statement of financial position of China Chengtong Development Group Limited as of 30 June 2012 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 2012 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, 23 August 2012

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Unaudited	
		Six months ended 30 June 2012 HK\$'000	2011 HK\$'000
<b>Turnover</b>	3	<b>1,197,603</b>	120,979
Cost of sales		<b>(1,147,820)</b>	(111,187)
<b>Gross profit</b>		<b>49,783</b>	9,792
Other income	4	<b>47,525</b>	10,332
Selling expenses		<b>(1,802)</b>	(3,278)
Administrative expenses		<b>(32,274)</b>	(15,249)
Fair value gain on investment properties		<b>3,746</b>	1,428
Fair value (loss)/gain on held-for-trading securities		<b>(215)</b>	240
Fair value loss on derivative financial instruments		<b>(1,570)</b>	—
Finance costs	5	<b>(38,324)</b>	(4,165)
<b>Profit/(loss) before income tax</b>		<b>26,869</b>	(900)
Income tax expense	6	<b>(11,597)</b>	(2,543)
<b>Profit/(loss) for the period</b>	7	<b>15,272</b>	(3,443)
<b>Profit/(loss) for the period attributable to :</b>			
Owners of the Company		<b>19,317</b>	(3,904)
Non-controlling interests		<b>(4,045)</b>	461
		<b>15,272</b>	(3,443)
<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>0.46</b>	(0.09)
Diluted		<b>N/A</b>	N/A



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
<b>Profit/(loss) for the period</b>	<b>15,272</b>	(3,443)
<b>Other comprehensive income</b>		
Exchange differences arising during the period	795	26,561
<b>Total comprehensive income for the period</b>	<b>16,067</b>	23,118
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	19,843	19,986
Non-controlling interests	(3,776)	3,132
	<b>16,067</b>	23,118

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	Unaudited At 30 June 2012 HK\$'000	Audited At 31 December 2011 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	8,594	8,400
Investment properties	10	241,487	237,741
Loan receivable under finance lease arrangement	11	5,188	11,139
		<b>255,269</b>	257,280
<b>Current assets</b>			
Properties under development		266,736	251,427
Properties held for development		301,133	301,133
Properties held for sale		122,312	152,533
Coal and bulk commodity		240,377	74,896
Trade and other receivables	12	2,000,201	761,363
Loan receivable under finance lease arrangement	11	14,067	11,665
Amount due from a non-controlling shareholder of a subsidiary	13	18,300	18,567
Entrusted loan receivables	14	744,271	113,714
Held-for-trading securities		1,066	1,281
Short-term investments	15	—	328,404
Restricted bank balance	16	6,100	4,200
Pledged bank deposits		351,032	—
Bank balances and cash		823,809	948,829
		<b>4,889,404</b>	2,968,012
<b>Current liabilities</b>			
Trade and other payables	17	660,150	144,189
Deposits received on sale of properties		17,906	14,573
Taxation payable		7,473	9,904
Bank borrowings	18	2,027,397	643,937
Unsecured other loans		600	600
Loan from a non-controlling shareholder of a subsidiary		—	549
Derivative financial instruments		1,570	—
		<b>2,715,096</b>	813,752
<b>Net current assets</b>		<b>2,174,308</b>	2,154,260
<b>Total assets less current liabilities</b>		<b>2,429,577</b>	2,411,540

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	<i>Notes</i>	<b>Unaudited At 30 June 2012 HK\$'000</b>	<b>Audited At 31 December 2011 HK\$'000</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>14,908</b>	12,953
Corporate bonds	19	<b>723,844</b>	721,845
		<b>738,752</b>	734,798
<b>Net assets</b>		<b>1,690,825</b>	1,676,742
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	20	<b>416,346</b>	416,346
Share premium and reserves		<b>1,075,506</b>	1,057,647
		<b>1,491,852</b>	1,473,993
<b>Non-controlling interests</b>		<b>198,973</b>	202,749
<b>Total equity</b>		<b>1,690,825</b>	1,676,742



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Equity attributable to the owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Unaudited for the six months ended 30 June 2011</b>									
<b>At 1 January 2011 (Audited)</b>	417,344	630,374	402	2,814	34,569	336,883	1,422,386	158,047	1,580,433
Dividend paid	—	—	—	—	—	(29,214)	(29,214)	—	(29,214)
<b>Transactions with owners</b>	—	—	—	—	—	(29,214)	(29,214)	—	(29,214)
(Loss)/profit for the period	—	—	—	—	—	(3,904)	(3,904)	461	(3,443)
Other comprehensive income for the period:									
Exchange difference arising on translation of financial statements of foreign operations	—	—	—	—	23,890	—	23,890	2,671	26,561
<b>Total comprehensive income for the period</b>	—	—	—	—	23,890	(3,904)	19,986	3,132	23,118
<b>At 30 June 2011 (Unaudited)</b>	417,344	630,374	402	2,814	58,459	303,765	1,413,158	161,179	1,574,337

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

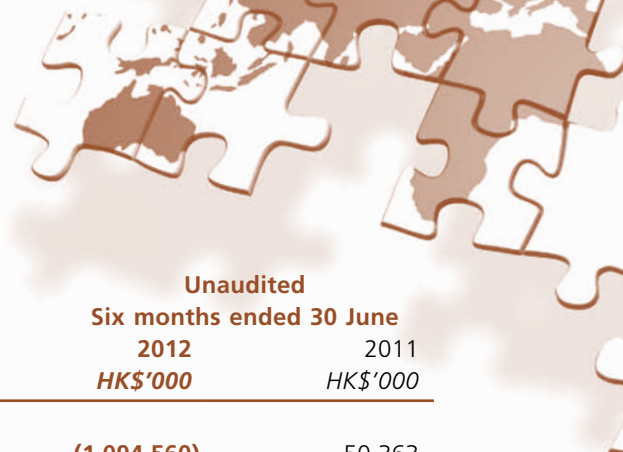
	Equity attributable to the owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000 (note a)	Statutory reserve HK\$'000 (note b)	Shares held for share award scheme HK\$'000	Employee share based compensation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>Unaudited for the six months ended 30 June 2012</b>												
<b>At 1 January 2012 (Audited)</b>	416,346	630,374	1,400	2,814	6,387	—	—	82,301	334,371	1,473,993	202,749	1,676,742
Shares purchased for share award scheme	—	—	—	—	—	(1,999)	—	—	—	(1,999)	—	(1,999)
Employee share-based compensation benefits	—	—	—	—	—	—	15	—	—	15	—	15
<b>Transactions with owners</b>	—	—	—	—	—	(1,999)	15	—	—	(1,984)	—	(1,984)
Profit/(loss) for the period	—	—	—	—	—	—	—	—	19,317	19,317	(4,045)	15,272
Other comprehensive income for the period:												
Exchange difference arising on translation of financial statements of foreign operations	—	—	—	—	—	—	—	526	—	526	269	795
<b>Total comprehensive income for the period</b>	—	—	—	—	—	—	—	526	19,317	19,843	(3,776)	16,067
<b>At 30 June 2012 (Unaudited)</b>	416,346	630,374	1,400	2,814	6,387	(1,999)	15	82,827	353,688	1,491,852	198,973	1,690,825

*Note a:* Capital reserve represented the deemed contribution by a substantial shareholder of the Company in 2007 arising from acquisition of a former subsidiary, 洛陽城南中儲物流有限公司 (“洛陽城南”), from a subsidiary of the then substantial shareholder of the Company. 洛陽城南 was disposed of in 2010.

*Note b:* 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 2012



	Notes	Unaudited	
		Six months ended 30 June 2012 HK\$'000	2011 HK\$'000
<b>Net cash (used in)/generated from operating activities</b>		<b>(1,094,560)</b>	50,363
<b>Net cash used in investing activities</b>			
Purchase of property, plant and equipment	10	(872)	(972)
Proceeds from collection/(purchase) of short-term investments	15	328,404	(172,800)
Interest received		28,173	8,016
Proceeds from disposal of property, plant and equipment		2	—
Deposit received from an entrusted loan borrower		6,100	—
Increase in entrusted loan receivables		(622,200)	—
Increase in restricted bank balances		(1,900)	—
Increase in pledged bank deposits		(351,032)	—
		<b>(613,325)</b>	(165,756)
<b>Net cash generated from financing activities</b>			
Net proceeds from corporate bonds		—	707,572
Drawdown of bank loans		354,572	12,000
Cash flows from discounted bills with recourse		1,220,751	—
Deposit received from a buyer on a proposed partial disposal of interests in a subsidiary		30,500	—
Repayment to related companies		—	(105)
Repayment to ultimate holding company		—	(461)
Repayment to a non-controlling shareholder of a subsidiary		(282)	—
Shares purchased for share award scheme		(1,999)	—
Interest paid		(21,279)	(1,753)
Dividends paid		—	(29,214)
		<b>1,582,263</b>	688,039
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(125,622)</b>	572,646
<b>Cash and cash equivalents at beginning of period</b>		<b>948,829</b>	716,617
<b>Effect of foreign exchange rates, net</b>		<b>602</b>	11,866
<b>Cash and cash equivalents at end of period, represented by bank balances and cash</b>		<b>823,809</b>	1,301,129



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

## 1 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 trading, trading of coal, property development, property investment and financial leasing.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKEX”). As at 30 June 2012, 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 PRC, which for the purpose of interim financial information, excludes Hong Kong, the Macau Special Administrative Region and Taiwan.

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 2011. For the six months ended 30 June 2012, the Group entered into contracts for some of its purchases 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 2012, 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 2012:

HKFRS 1 (Amendments)	First-time adopters of HKFRSs — Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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

### 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.

HKAS 1 (Amendments)	Presentation of financial statements — Presentation of items of other comprehensive income <sup>1</sup>
HKFRS 7 (Amendments)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities <sup>2</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 10	Consolidated financial statements <sup>2</sup>
HKFRS 11	Joint arrangements <sup>2</sup>
HKFRS 12	Disclosure of interests in other entities <sup>2</sup>
HKFRS 13	Fair value measurement <sup>2</sup>
HKAS 19 (2011)	Employee benefit <sup>2</sup>
HKAS 27 (2011)	Separate financial statements <sup>2</sup>
HKAS 28 (2011)	Investments in associates and joint ventures <sup>2</sup>
HK(IFRIC) — Interpretation 20	Stripping costs in the production phase of a surface mine <sup>2</sup>
HKAS 32 (Amendments)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities <sup>3</sup>
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs contained in Annual Improvements 2009-2011 Cycle Issued in June 2012 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

#### 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.

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

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

#### HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

#### HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

## 3 TURNOVER AND SEGMENT INFORMATION

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

The Group's reportable operating segments under HKFRS 8 for the six months ended 30 June 2011 included four operations: (i) property development; (ii) property investment; (iii) financial leasing and (iv) trading of coal. During the second half of 2011, the Group had commenced a new operation of bulk commodity trading. Therefore, there are five reportable segments for the six months ended 30 June 2012, namely (i) property development; (ii) property investment; (iii) financial leasing, (iv) trading of coal and (v) bulk commodity trading.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 3 TURNOVER AND SEGMENT INFORMATION (Continued)

The Group's reportable segments under HKFRS 8 are the following five operations:

- (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 in the PRC; and
- (5) Bulk commodity trading — trading of bulk commodity in Hong Kong and the PRC.

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments for the period under review:

	Unaudited					Total HK\$'000
	For the six months ended 30 June 2012					
	Property investment HK\$'000	Property development HK\$'000	Financial leasing HK\$'000	Trading of coal HK\$'000	Bulk commodity trading HK\$'000	
Turnover						
Segment revenue-external sales	854	31,079	10,077	—	1,155,593	1,197,603
Result						
Segment result (Note (a))	55	6,132	13,371	(4,447)	10,599	25,710
Fair value gain on investment properties (Note (b))						3,746
Fair value loss on held-for-trading securities						(215)
Fair value loss on derivative financial instruments (Note (b))						(1,570)
Interest income from entrusted loan receivables						23,656
Unallocated finance cost						(18,554)
Unallocated corporate expenses						(10,730)
Unallocated other income						4,826
Profit before income tax						26,869

**NOTES TO THE CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**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 trading 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	5,558	200	5,781	130	1,013	896	13,578
Interest income from other receivables	251	—	—	—	—	—	251
Allowance for impairment of coal	—	—	—	(4,403)	—	—	(4,403)
Depreciation	(153)	(196)	(89)	(3)	(147)	(9)	(597)
Finance costs	—	—	—	—	(19,770)	(18,554)	(38,324)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value gain on investment properties	3,746	—	—	—	—	—	3,746
Fair value loss on derivative financial instruments	—	—	—	—	(1,570)	—	(1,570)



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 3 TURNOVER AND SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

	Unaudited				Total HK\$'000
	For the six months ended 30 June 2011				
	Property investment HK\$'000	Property development HK\$'000	Financial leasing HK\$'000	Trading of coal HK\$'000	
Turnover					
Segment revenue-external sales	1,796	9,507	5,327	104,349	120,979
Result					
Segment result (Note (a))	296	(2,854)	6,656	1,337	5,435
Fair value gain on investment properties (Note (b))					1,428
Fair value gain on held-for-trading securities					240
Unallocated finance cost					(4,165)
Unallocated corporate expenses					(4,358)
Unallocated other income					520
Loss before income tax					(900)

#### Notes

	Property investment HK\$'000	Property development HK\$'000	Financial leasing HK\$'000	Trading of coal HK\$'000	Unallocated HK\$'000	Total HK\$'000
(a) Amounts included in measurement of segment results						
Interest income from bank deposits and bill receivables	5,394	251	1,786	102	483	8,016
Depreciation	(243)	(213)	(56)	—	(10)	(522)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance						
Fair value gain on investment properties	1,428	—	—	—	—	1,428

Segment result represents the operating result earned by 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, derivative financial instruments and held-for-trading securities, interest income from entrusted loan receivables 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 2012

### 3 TURNOVER AND SEGMENT INFORMATION (Continued)

#### Segment assets

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

	Unaudited At 30 June 2012 HK\$'000	Audited At 31 December 2011 HK\$'000
Segment assets		
Property investment	661,596	476,662
Property development	763,571	940,605
Financial leasing	26,943	413,565
Trading of coal	63,315	113,939
Bulk commodity trading	2,754,773	742,486
<b>Total segment assets</b>	<b>4,270,198</b>	<b>2,687,257</b>
Unallocated		
— entrusted loan receivables	744,271	113,714
— other unallocated assets	2,508	7,302
— bank balances and cash	127,696	417,019
	<b>874,475</b>	<b>538,035</b>
<b>Total assets</b>	<b>5,144,673</b>	<b>3,225,292</b>

### 4 OTHER INCOME

	Unaudited Six months ended 30 June 2012 HK\$'000	2011 HK\$'000
Interest income from pledged bank deposits, bank deposits, bill receivables and short-term investments	13,578	8,016
Interest income from other receivables	251	—
Interest income from entrusted loan receivables	23,656	—
Commission income from arranging bulk commodity trading	5,987	—
Penalty income from overdue loan receivable under finance lease arrangement	1	918
Written back of accruals and other payables	3,913	—
Exchange gain	—	15
Others	139	1,383
	<b>47,525</b>	<b>10,332</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 5 FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest on corporate bonds	18,554	4,165
Interest on bank and other borrowings wholly repayable within five years	2,786	1,871
Interest on discounted bills	19,174	—
	40,514	6,036
Less: Amounts capitalised in properties under development	(2,190)	(1,871)
	38,324	4,165

### 6 INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong during the period. The subsidiaries established in the PRC are subject to enterprise income tax of 25%. The current tax for the period also included PRC land appreciation tax ("LAT"). The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
The income tax expenses comprises:		
Current tax	9,218	2,011
Under-provision in prior years	58	31
Deferred taxation	2,321	501
Total income tax expense for the period	11,597	2,543

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### PROFIT/(LOSS) FOR THE PERIOD

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (net of amount capitalised in properties under development)	597	522
Exchange loss/(gain)	1,541	(15)
Loss on disposal of property, plant and equipment	10	—
Allowance for impairment of coal	4,403	—
Interest income		
— pledged bank deposits, bank deposits, bill receivables and short-term investments	(13,578)	(8,016)
— other receivables	(251)	—
— entrusted loan receivables	(23,656)	—
— loan receivable under finance lease arrangement (included in turnover)	(1,842)	(4,566)
Expenses capitalised in properties under development:		
Depreciation	69	68
Finance costs	2,190	1,871
Staff costs (excluding directors' emoluments)	798	684

### 8 DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 December 2011 (for the six months ended 30 June 2011: HK0.7 cents) was declared and paid to the owners of the Company. No final dividend was paid in the six months ended 30 June 2012 (for the six months ended 30 June 2011: HK\$29,214,000). The directors do not declare the payment of an interim dividend for the six months ended 30 June 2012.

### 9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit for the period of HK\$19,317,000 (for the six months ended 30 June 2011: loss of HK\$3,904,000) attributable to the owners of the Company and on the weighted average number of 4,163,452,227 shares (for the six months ended 30 June 2011: 4,173,434,227 shares).

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 10 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK\$872,000 (for the six months period ended 30 June 2011: HK\$972,000) on the acquisition of property, plant and equipment.

The fair values of the Group's investment properties at 30 June 2012 and 31 December 2011 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited, independent qualified professional valuers 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 during the six months ended 30 June 2012 amounted to HK\$3,746,000 (during the year ended 31 December 2011: gain on change in fair value amounting to HK\$17,004,000).

### 11 LOAN RECEIVABLE UNDER FINANCE LEASE ARRANGEMENT

	<b>Unaudited At 30 June 2012 HK\$'000</b>	Audited At 31 December 2011 HK\$'000
Finance lease arrangement comprise loan receivable:		
Within one year	<b>14,067</b>	11,665
In more than one year but not exceeding two years	<b>5,188</b>	11,139
	<b>19,255</b>	22,804
Analysed for reporting purposes as:		
Current assets	<b>14,067</b>	11,665
Non-current assets	<b>5,188</b>	11,139
	<b>19,255</b>	22,804

The Group entered into sales and lease back agreement pursuant to which a financial leasing customer (the "Borrower") sold its equipment to the Group and leased back equipment with lease period for 3 years. As at 30 June 2012, effective interest rate is 16.78% (At 31 December 2011: 17.32%) per annum. In addition, the Borrower has an option to purchase the leased equipment at the end of lease term at a consideration of RMB100 (equivalent to approximately HK\$120) (At 31 December 2011: RMB100 (equivalent to approximately HK\$120)).

As at 30 June 2012 and 31 December 2011, the receivable under finance lease arrangement is secured by the leased equipment and the Group has guarantees provided by controlling shareholder of the Borrower and independent third parties. The Group is not permitted to sell or repledge the collateral in absence of default by the Borrower. The Borrower is required to pay the Group through 33 monthly lease payments from 27 February 2011 up to 27 October 2013.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 12 TRADE AND OTHER RECEIVABLES

	<b>Unaudited At 30 June 2012 HK\$'000</b>	Audited At 31 December 2011 HK\$'000
Trade receivables	296,625	83,794
Bill receivables from bulk commodity trading	1,675,741	611,423
Trade and bill receivables	1,972,366	695,217
Prepayments, deposits and other receivables	27,835	66,146
	<b>2,000,201</b>	761,363

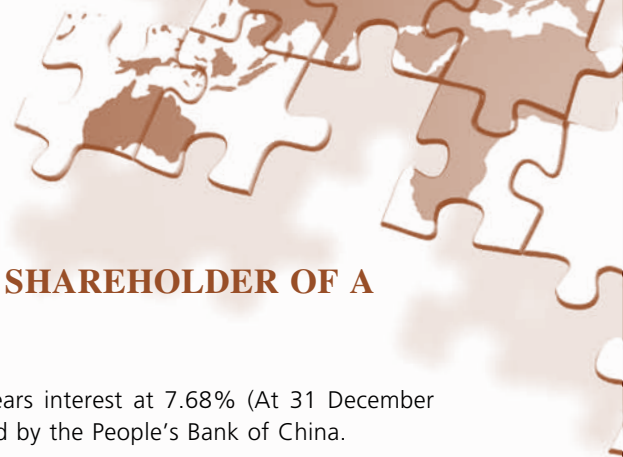
Trade and bill receivables mainly arose from sales of coal and bulk commodity trading. Bulk commodity trading are mainly settled by cash or bills issued by PRC banks which are receivable in 1 year (At 31 December 2011: 3 months to 1 year) from the date of issuance. There is no credit period granted to customers of coal trading business. There is 0 to 7 months credit period granted to customers of bulk commodity trading business.

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

	<b>Unaudited At 30 June 2012 HK\$'000</b>	Audited At 31 December 2011 HK\$'000
Within one month	137,026	83,794
Two to three months	159,529	—
Four to twelve months	70	—
	<b>296,625</b>	83,794

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012



### 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 7.68% (At 31 December 2011: 7.98%) per annum, which is 120% of the benchmark rate offered by the People's Bank of China.

### 14 ENTRUSTED LOAN RECEIVABLES

As at 30 June 2012, the Group had entered into six (At 31 December 2011: two) entrusted loan arrangements with financial institutions, it represented the loans from the Group to specified borrowers through banks in the PRC. In an entrusted loan arrangement, the bank acted as a trustee of the Group which entered into loan agreement with specified borrower. The borrower repaid the loan to the bank and then the bank returned the principal and accrued interest to the Group. While the bank exercises supervision over and receives repayment from the borrower, the bank does not assume any risk of default in repayment by the borrower. As at 30 June 2012 and 31 December 2011, 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 between 12% and 18.5% (At 31 December 2011: 15% and 18%) per annum.

As at 30 June 2012 and 31 December 2011, no entrusted loan receivables have been past due or impaired. The entrusted loan receivables are mainly secured by land and building/properties held for sale and personal guarantees provided by the specified borrowers or their related parties. The Group is not permitted to sell or pledge the collateral in the absence of default by the entrusted loan borrowers.

### 15 SHORT-TERM INVESTMENTS

During the six months ended 30 June 2012, the Group has fully collected the short-term investments on their respective maturity date, which the redemption amounts approximated to their carrying amounts as at 31 December 2011.

As at 31 December 2011, the Group purchased short-term investments from three PRC banks. Short-term investments represented investments in treasury bills and commercial papers of certain corporations and specific banks in the PRC with maturity within one to three months and an estimated return ranging from 5.10% to 5.50% per annum. The accrued and unpaid interest will be received upon maturity. The Group does not have the right to redeem the investments before maturity. The directors consider that the carrying value of short-term investments approximate their fair value at end of the reporting period as it is highly liquid and credit risk involved is insignificant. Included in the amount of short-term investments were amounts of (i) HK\$243,004,000 with maturity in January 2012 and (ii) HK\$85,400,000 with maturity in February 2012.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 16 RESTRICTED BANK BALANCE

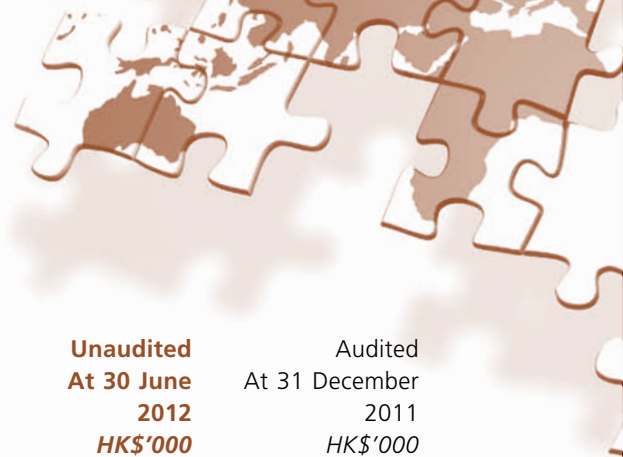
- (a) At 30 June 2012, the Group had restricted bank balance of RMB5,000,000 (equivalent to HK\$6,100,000). Pursuant to the supplement agreement dated 4 May 2012 to one of the entrusted loan agreement, the borrower shall deposit a sum of RMB5,000,000 in the Group's bank account and the Group will release the fund when (i) the borrower creates a valid charge on the property within three months from the date of the supplement agreement signed or (ii) the borrower settles RMB5,000,000 of the entrusted loan, which is part of the outstanding principal together with relevant outstanding interests incurred, if no valid charge is created. The Group is not permitted to utilise the fund and not entitled to any risk and reward of the fund. After the reporting date, the borrower had settled part of the outstanding principal and the fund is subsequently released to the borrower.
- (b) At 31 December 2011, the Group had restricted bank balance of HK\$4,200,000. Pursuant to the order of the High Court of the Hong Kong Special Administrative Region (the "High Court") dated 20 June 2006 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") which became effective on 21 June 2006 (the "Effective Date"), a sum of HK\$4,200,000 ("Trust Fund") was deposited on 20 June 2006 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 to 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.

Pursuant to the order of the High Court dated 20 June 2006, the period for maintaining the Trust Account has been ended on 20 June 2012 and the restriction has been released.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012



### 17 TRADE AND OTHER PAYABLES

	<b>Unaudited At 30 June 2012 HK\$'000</b>	<b>Audited At 31 December 2011 HK\$'000</b>
Trade payables	11,771	56,898
Bill payables	516,778	—
Trade and bill payables	<b>528,549</b>	56,898
Deposits received	<b>48,800</b>	12,200
Receipt in advance, other payables and accruals	<b>39,085</b>	27,119
Accrual of construction costs	<b>43,716</b>	47,972
	<b>660,150</b>	144,189

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

	<b>Unaudited At 30 June 2012 HK\$'000</b>	<b>Audited At 31 December 2011 HK\$'000</b>
Within one year	11,771	56,898

### 18 BANK BORROWINGS

	<i>Notes</i>	<b>Unaudited At 30 June 2012 HK\$'000</b>	<b>Audited At 31 December 2011 HK\$'000</b>
Secured bank borrowings			
Discounted bills with recourse repayable within one year	(a)	1,624,025	595,137
Short-term bank loans repayable within one year	(b)	403,372	48,800
		<b>2,027,397</b>	643,937

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 18 BANK BORROWINGS (Continued)

- (a) The Group carried out bulk commodity trading business involving purchase and sale transactions. In order to monitor the credit risk, most sales are settled by bills issued by stated-owned banks or commercial banks in the PRC and are receivable in 1 year (At 31 December 2011: 3 months to 1 year) from the date of issuance. Most bill receivables have been discounted to banks with recourse to facilitate the operation of the bulk commodity trading. Accordingly, the Group included these discounted bill 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 2.38% to 3.90% (At 31 December 2011: 2.03% to 3.40%) per annum. Total finance cost in relation to bulk commodity trading will be charged to profit or loss over the relevant period of the discounted bills with recourse amounted to HK\$51,716,000 (At 31 December 2011: HK\$16,559,000) and unrecognised portion of finance cost in relation to these discounted bills as at 30 June 2012 amounting to HK\$36,344,000 (At 31 December 2011: HK\$15,476,000) will be charged to profit or loss after the reporting date. The interest rate is determined at the date of inception. All discounted bills with recourse are secured by bill receivables as at 30 June 2012 and 31 December 2011.
- (b) At the reporting date, short-term bank loans were secured by:
- (i) As at 30 June 2012, short-term bank loans of approximately HK\$61,000,000 (At 31 December 2011: HK\$48,800,000) were secured by the land use right included in property held for development with carrying amount of approximately HK\$108,580,000 (At 31 December 2011: HK\$108,580,000).
- (ii) As at 30 June 2012, short-term bank loans of approximately HK\$342,372,000 (At 31 December 2011: Nil) were secured by fixed bank deposits of approximately HK\$351,032,000 (At 31 December 2011: Nil).

### 19 CORPORATE BONDS

The corporate bonds are fixed rate bonds issued by the Company (the "Bonds"). The Bonds were issued on 19 May 2011 with a principal amount of RMB600,000,000 (equivalent to approximately HK\$732,000,000) and a fixed interest at 4.5% per annum.

	<b>Unaudited At 30 June 2012 HK\$'000</b>	Audited At 31 December 2011 HK\$'000
Corporate bonds	<b>723,844</b>	721,845

The 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 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 Bonds was reduced by transaction cost amounted to approximately RMB10,398,000. The transaction cost will be charged to profit or loss over the relevant period of the Bonds and unrecognised portion of transaction cost as at 30 June 2012 amounting to HK\$8,156,000 (At 31 December 2011: HK\$10,155,000) will be charged to profit or loss after the reporting date. The effective interest rate of the Bonds is approximately 5.13% (At 31 December 2011: 5.13%) per annum.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 20 SHARE CAPITAL

There were no movements in the Company's authorised, issued and fully paid share capital during the six months period ended 30 June 2012.

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised At 1 January 2011, 31 December 2011 and 30 June 2012	6,000,000	600,000
Issued and fully paid At 1 January 2011 (audited)	4,173,434	417,344
Share repurchased and cancelled ( <i>note</i> )	(9,982)	(998)
At 31 December 2011 (audited) and 30 June 2012 (unaudited)	4,163,452	416,346

*Note:*

During the year ended 31 December 2011, the Company repurchased 9,982,000 units of its own shares through the HKEX. These shares were cancelled upon repurchase. Except for the aforementioned, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

### 21 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	
		2012 HK\$'000	2011 HK\$'000
Wholly-owned subsidiaries of CCHG, the ultimate holding company:			
中國物流有限公司	Income from operating lease arrangement	86	372
中國物資儲運總公司 瀋陽虎石台一庫	Income from operating lease arrangement	—	1,000

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 and loan from a non-controlling shareholder of a subsidiary.

**NOTES TO THE CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2012

**21 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 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;
- purchases of coal;
- gross sales of bulk commodities;
- gross purchases of bulk commodities; and
- handling income from a finance lease arrangement

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
<b>Transactions with other relevant government related entities</b>		
Sales of coal	—	104,242
Purchases of coal	—	43,146
Gross sales of bulk commodities (Note)	<b>474,071</b>	—
Gross purchases of bulk commodities (Note)	<b>473,980</b>	—
Handling income from a finance lease arrangement	<b>5,490</b>	—
	<b>Unaudited</b>	Audited
	<b>At 30 June</b>	At 31 December
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
<b>Balances with government related entities</b>		
Trade receivables	—	42,657
Prepayment	<b>1,889</b>	—

Note:

Gain on bulk commodity trading in relation to sales and purchase transactions amounted to HK\$66,000 (for the six months ended 30 June 2011: Nil) is charged to profit or loss for the six months ended 30 June 2012.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 21 RELATED PARTY TRANSACTIONS (Continued)

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

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.

#### (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:

	Unaudited Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Short-term benefits and bonus	2,967	2,858
Post-employment benefits	47	19
	<b>3,014</b>	<b>2,877</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 22 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>2012</b> <b>HK\$'000</b>	Audited At 31 December 2011 <b>HK\$'000</b>
Within one year	<b>1,895</b>	3,109
In the second to fifth year	<b>496</b>	943
	<b>2,391</b>	4,052

#### (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>2012</b> <b>HK\$'000</b>	Audited At 31 December 2011 <b>HK\$'000</b>
Within one year	<b>952</b>	1,646
In the second to fifth year	<b>9,287</b>	14,177
	<b>10,239</b>	15,823

### 23 COMMITMENT

The Company entered into an agreement dated 27 July 2011 and supplemental agreements dated 29 August 2011 and 29 June 2012 with its ultimate holding company, CCHG and its intermediate holding company, China Chengtong Hong Kong Company Limited, for the acquisition of interests in several subsidiaries of CCHG at a consideration of RMB254,000,000 (subject to adjustment). These target companies are mainly engaged in hotel operation and provision of marine entertainment services and sales of goods and provision of services in relation to consignment sales of goods in Hainan Province, the PRC. The proposed acquisition constituted a major acquisition and connected transaction under the Listing Rules. The proposed acquisition has not yet been completed as certain conditions precedent to the acquisition have not been satisfied as of the date of issuance of the interim financial information. Details of the proposed acquisition are set out in the Company's circular dated 30 September 2011.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 24 LITIGATION

In September 2010, 誠通實業投資有限公司 (“Chengtong Industrial”), a wholly-owned subsidiary of the Company, has lodged a litigation to the court in the PRC as plaintiff against a tenant, requesting for termination of a tenancy agreement for reason of the breach of such tenancy agreement by, among other matters, the unauthorised sub-lease of the leased property, construction of an unauthorised structure (the “Buildings”) and transfer of the Buildings to a third party, by the tenant.

In September 2011, the court in the PRC has released the court order in favour of Chengtong Industrial to terminate such tenancy agreement with the tenant and the tenant has to transfer the ownership of the Buildings to Chengtong Industrial at a consideration of approximately RMB5,028,000 (equivalent to approximately HK\$6,134,000) for acquiring the Buildings. In September 2011, the tenant and a third party lodged an appeal to the court in the PRC. In May 2012, the court of the PRC has dismissed the appeal.

Save as disclosed above, as at 30 June 2012, 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.

### 25 GUARANTEES

As at 30 June 2012, the Group had contingent liabilities in relation to guarantees of approximately HK\$37,987,000 (At 31 December 2011: HK\$30,977,000) 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.

### 26 POST REPORTING DATE EVENT

On 13 August 2012, the Group entered into a framework agreement in relation to a proposed acquisition of 82% of a company which indirectly holds 60% interests in a group of companies principally engaging in, amongst others, exploration and mining of coal resources in the PRC at an aggregate consideration of RMB615 million (subject to adjustment). Details of the proposed acquisition are set out in the Company's announcement dated 21 August 2012.



# MANAGEMENT DISCUSSION AND ANALYSIS

## I. INTERIM DIVIDEND

The board of directors (“**Directors**”) (“**Board**”) of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: nil).

## II. FINANCIAL RESULTS

Turnover of the Group for the period under review was approximately HK\$1,197.60 million, representing a dramatic increase as compared with approximately HK\$120.98 million for the same period last year. The increase was mainly attributable to the turnover contribution from the Group’s bulk commodity trading business which was newly-commenced in the fourth quarter of 2011.

Although the Company’s interest expenses on bonds increased significantly to approximately HK\$18.55 million for the period under review from approximately HK\$4.17 million in the same period last year as the Company issued corporate bonds with a principal amount of RMB600 million in May 2011, the Group recorded profit attributable to shareholders of approximately HK\$19.32 million and profit before tax of approximately HK\$26.87 million for the period under review, as compared with loss of approximately HK\$3.90 million and HK\$0.90 million respectively for the same period last year, which was mainly attributable to the consolidated profit before tax of approximately HK\$10.60 million from the Group’s bulk commodity trading business (same period last year: Nil), profit before tax of approximately HK\$6.59 million (same period of last year: loss of approximately HK\$2.35 million) from the property development business of 諸城鳳凰置地有限公司 (unofficial translation as Zhucheng Phoenix Landmark Company Limited) (“**Zhucheng Phoenix**”) which held the property development project located in Zhucheng of Shandong Province, profit before tax of approximately HK\$13.37 million (same period of last year: profit of approximately HK\$6.66 million) from our financial leasing business and interest income from entrusted loans of approximately HK\$23.66 million (same period of last year: nil).

## III. BUSINESS REVIEW

### (1) Bulk Commodity Trading

Chengtong Development International Trading Limited (“**Chengtong International Trading**”) and 杭州瑞能金屬材料有限公司 (unofficial translation as Hangzhou Ruineng Metals Company Limited) (“**Hangzhou Ruineng**”), being two subsidiaries of the Group established in Hong Kong and Mainland China in the fourth quarter of 2011, engage in bulk commodity trading business in Hong Kong and Mainland China respectively.

During the period under review, Chengtong International Trading and Hangzhou Ruineng achieved external sales of approximately HK\$812.26 million and approximately HK\$356.06 million respectively. Together with the results of bulk commodity trading business of its other wholly-owned subsidiaries, the Group achieved total external sales of approximately HK\$2,433.42 million in total, out of which, approximately HK\$1,143.18 million were the corresponding sales of the purchases made in accordance with the Group’s expected purchase requirements. Those sales of approximately HK\$1,143.18 million and purchases of approximately HK\$1,122.26 million are recognised as gross turnover and cost of sales respectively in the condensed consolidated income statement during the period under review. The operation of the remaining external sales of approximately HK\$1,290.23 million and external purchases of HK\$1,277.82 million was same as the operation of those in the year 2011 and accordingly its accounting treatment was consistently applied, i.e. its gross profit of approximately HK\$12.41 million in total was recognised as turnover in the condensed consolidated income statement during the period under review. Bill receivables in relation to bulk commodity trading were discounted to banks, and the finance cost of discounted bills with recourse is amortised to the profit and loss account over the relevant period and those without recourse is charged in full to current profit and loss according to the Hong Kong Accounting Standards. During the period under review, consolidated finance cost of bulk commodity trading business totalled approximately HK\$19.77 million (including interest expenses on discounted bills amortised or charged for the current period and bank loan interest).



### III. BUSINESS REVIEW (Continued)

#### (2) Property Development

##### (i) Zhucheng of Shandong Province

During the period under review, residential apartments of approximately 5,430 square metres, underground ancillary apartments of approximately 294 square metres, 6 underground and 1 above ground parking spaces of CCT-Champs-Elysees Phase I were sold and delivered. This project recorded total net sales revenue of approximately RMB23.27 million (equivalent to approximately HK\$28.39 million) and a total gross profit of approximately RMB7.72 million (equivalent to approximately HK\$9.41 million) during the period under review.

As of 30 June 2012, the remaining area of the completed but unsold spaces of CCT-Champs-Elysees Phase I included apartments of approximately 16,859 square metres and commercial spaces of approximately 3,416 square metres (excluding the leased area of approximately 3,794 square metres). The uncompleted residential spaces of CCT-Champs-Elysees Phase I amounted to approximately 21,937 square metres.

With regard to the progress in construction of CCT-Champs-Elysees Phase I, except for the kindergarten, the other parts were either fully completed or completed in their major structures. Completion inspection and acceptance was conducted for some residential and commercial spaces. Most of the landscaping works have been completed and entered into the stage of maintenance.

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

誠通大豐海港開發有限公司 (unofficial translation as Chengtong Dafeng Harbour Development Limited) ("**Dafeng Development**") holds a parcel of industrial land and four parcels of residential and commercial land in Dafeng City, Jiangsu Province. During the period under review, section I of the initial development area of "Chengtong International City", which is located to the north of one of the aforesaid four parcels of residential and commercial land, sold and delivered residential buildings and serviced apartments of approximately 271 square metres and 444 square metres respectively, generating total net sales revenue of approximately RMB2.20 million (equivalent to approximately HK\$2.69 million) and a total gross profit of RMB0.48 million (equivalent to approximately HK\$0.59 million). As of 30 June 2012, the remaining saleable area of residential buildings, 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 379 square metres, 922 square metres, 6,364 square metres and 3,176 square metres respectively.

During the period under review, the Group continued proceeding with the development of section II of the initial development area of "Chengtong International City" and obtained the pre-sales permits for No. 1 office building and No. 3 commercial building as well as the real estate ownership certificate for No.1 office building, paving the way for sales of such areas in the second half of 2012.

### III. BUSINESS REVIEW (Continued)

#### (3) Property Investment

##### (i) Land Resources Development

During the period under review, 誠通實業投資有限公司 (unofficial translation as Chengtong Industrial Investment Limited) (“**Chengtong Industrial**”), a wholly-owned subsidiary of the Group, held two parcels of land located in Changzhou of Jiangsu Province and Shenyang of Liaoning Province, with site areas of approximately 84,742 square metres and 247,759 square metres respectively, and certain buildings erected thereon.

During the period under review, the leases for the tenancy agreements for the land located in Changzhou together with the warehouse complexes or plants erected thereon and the land located in Shenyang together with the warehouse complexes or plants erected thereon expired at mid-February 2012 and the end of August 2011, respectively, without being renewed. Together with that from leased area of approximately 3,794 square metres of Zhucheng Phoenix, the total rental income amounted to approximately HK\$0.85 million during the period under review, as compared to the aggregate rental income of approximately HK\$1.80 million from the land resources recorded in the same period of 2011.

In December 2011, the Group entered into the sales and purchase agreement with an independent third party to sell 12% interest in Chengtong Enterprises Investment Limited (“**CT Enterprises**”), a wholly-owned subsidiary of the Group, for a consideration of approximately RMB51.54 million. As one of the conditions precedent to the completion of the disposal, CT Enterprises shall complete a series of internal reorganisation. After completion of the reorganisation, the principal assets held by CT Enterprises through holding all the equity interest in Chengtong Industrial will include (i) the two parcels of land located in Changzhou of Jiangsu Province and Shenyang of Liaoning Province and the warehouse complexes or plants erected thereon; (ii) Zhucheng Phoenix (which holds 100% interest in “CCT-Champs-Elysees”, a residential property development); and (iii) 100% interest in 常州誠通投資有限公司 (unofficial translation as Changzhou Chengtong Investment Limited). As at the date hereof, such transaction has not been completed yet.

#### (4) Financial Leasing

During the period under review, 誠通融資租賃有限公司 (unofficial translation as Chengtong Financial Leasing Company Limited) (“**Chengtong Financial Leasing**”), the Group’s wholly-owned subsidiary, recorded turnover and gross profit of approximately HK\$10.08 million respectively, representing an increase of approximately 89% as compared with approximately HK\$5.33 million respectively in the same period last year. Taking account of the interest income on deposit and other income earned, Chengtong Financial Leasing recorded profit before tax of approximately HK\$13.37 million for the period under review (same period last year: approximately HK\$6.66 million) from financial leasing business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### III. BUSINESS REVIEW (Continued)

#### (5) Trading of Coal

Trading of coal business is one of the principal activities of the Group. During the period under review, in the aftermath of the global financial crisis, China's economy saw a notable slowdown and market price of coal experienced severe fluctuations and a continued downward trend with increasing coal inventory at inland and coastal ports. As such, the Group did not enter into any coal trade transaction while closely monitoring the changes in coal market to adjust its strategy as and when appropriate. During the same period last year, the Group sold approximately 128,000 tonnes of coal and recorded turnover of approximately HK\$104 million.

Despite the continuing global economic turmoil and uncertainties, the PRC economy is expected to maintain a steady growth given its position as the world's factory and major customer. As such, the Board is of the view that there would be substantial demand for raw materials and energy in the PRC. During the year, the Group put a great deal of effort in exploring upstream resources and evaluating the feasibility of a number of large-scale mineral resources investment projects. On 13 August 2012, the Group entered into a framework agreement in relation to a proposed acquisition of 82% of a company which indirectly holds 60% interests in a group of companies principally engaging in, amongst others, exploration and mining of coal resources in the PRC. The Company believes that such acquisition represents a good investment opportunity for the Company to explore the upstream coal resources and would provide a stable source of coal supply for the Group's coal trading business in the future.

### IV. CAPITAL INJECTION PROJECT

The Company entered into an agreement dated 27 July 2011 and supplemental agreements dated 29 August 2011 and 29 June 2012 with CCHG and China Chengtong Hong Kong Company Limited ("**CCHK**") to acquire the interest in several subsidiaries of CCHG (collectively as "Travel Investment Group") for a consideration of RMB254 million (subject to adjustment). Travel Investment Group mainly engages in hotel operation and provision of marine entertainment services in Hainan Province, the PRC. Such acquisition is expected to be completed before 30 September 2012.

### V. OUTLOOK

In the aftermaths of international financial crisis and European debt crisis, economy of the Eurozone plunged into mild recession and economy of the United States sagged with unemployment rate hovering high, while emerging economies experienced a slowdown in growth rate. After high-speed growth for many consecutive years, China's economy posted a GDP growth rate of less than 8%. As such, businesses of the Group in Mainland China were all impacted to various extents.

Since the second half of 2011, the Group has redirected its principal business activities toward bulk commodity and energy trading, and would expand into the upstream field of mineral resources when appropriate opportunity arises and strategically develop its travel business in Hainan.

The global business environment is full of challenges. However, the Group has ample cash resources and solid financial bases and is actively seeking for opportunities for acquisition of mines resources on bulk commodity and energy so as to expand its trading of bulk commodity and coal business as well as enlarge the reserve and coverage of upstream resources. The Board has full confidence in the future development and prospect of the Group.

### GEARING RATIO

As at 30 June 2012, the Group's gearing ratio calculated on the basis of bank borrowings, other loans, loan from a non-controlling shareholder of a subsidiary and corporate bonds of approximately HK\$2,751.84 million and total assets of approximately HK\$5,144.67 million was approximately 53% (At 31 December 2011: 42%).

### LIQUIDITY AND CAPITAL RESOURCES

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

As at 30 June 2012, the Group had current assets and current liabilities of approximately HK\$4,889.40 million and HK\$2,715.10 million respectively (At 31 December 2011: approximately HK\$2,968.01 million and HK\$813.75 million respectively). Both current assets and current liabilities increased by more than HK\$1,900 million during the period under review, which was mainly attributable to:

- (i) the expansion of bulk commodity trading business, which results in significant increase in related assets (such as bill receivables and trade receivables) and liabilities (such as bill payables and discounted bills with recourse)
- (ii) increase in both short-term bank loans and pledged bank deposits of approximately HK\$350 million
- (iii) entrusted loan receivables of approximately HK\$744.27 million (At 31 December 2011: approximately HK\$ 113.71 million)

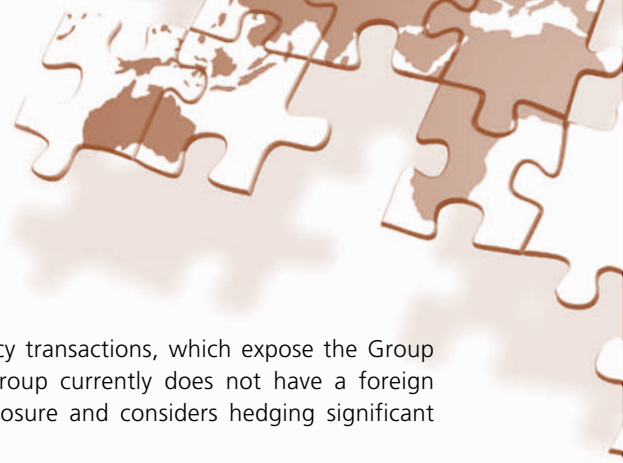
Bank balances of the Group are mainly in Renminbi and Hong Kong dollars. As at 30 June 2012, the Group had cash and bank balances (including pledged bank deposits and restricted bank balances) amounting to approximately HK\$1,180.94 million (At 31 December 2011: approximately HK\$953.03 million). Out of the cash and bank balances of approximately HK\$1,180.94 million as at 30 June 2012:

- (i) RMB5 million (equivalent to approximately HK\$6.10 million) bank balance was restricted. Pursuant to the supplement agreement to one of the entrusted loan agreement, the borrower shall deposit a sum of RMB5 million in the Group's bank account. The Group is not permitted to utilise the fund and not entitled to any risk and reward of the fund.
- (ii) Approximately HK\$351.03 million fixed bank deposits were pledged to secure the short-term bank loans.

Borrowings of the Group are denominated in Renminbi, US dollars and Hong Kong dollars. As at 30 June 2012, the Group's discounted bills with recourse and short-term bank loans of approximately HK\$1,624.03 million and HK\$403.37 million respectively (At 31 December 2011: approximately HK\$595.14 million and HK\$48.80 million respectively) were secured and repayable within one year with interest at commercial rate. The other loans from third parties of approximately HK\$600,000 were unsecured, repayable on demand and interest-free. As at 31 December 2011, the loan from a non-controlling shareholder of a subsidiary of approximately HK\$549,000 was unsecured, repayable on demand and interest-free. The amount is fully settled during the period under review.

The Group issued corporate bonds on 19 May 2011 with a principal amount of RMB600 million (equivalent to approximately HK\$732 million) at fixed interest rate of 4.5% per annum and will mature on 19 May 2014. As at 30 June 2012, the Group's corporate bonds were approximately RMB593.31 million (equivalent to approximately HK\$723.84 million (At 31 December 2011: approximately RMB591.68 million (equivalent to approximately HK\$721.85 million))), in which principal amount was reduced by unrecognised transaction cost.

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE RISK MANAGEMENT

The subsidiaries which engage in bulk commodity trading have foreign currency transactions, which expose the Group to foreign currency risk (i.e. converting Renminbi to/from US dollars). The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and considers hedging significant foreign currency exposure should the need arise.

### HUMAN RESOURCES AND EMOLUMENT POLICY

As at 30 June 2012, the Group employed a total of 95 employees, of which 17 were based in Hong Kong and 78 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the Directors are decided by the remuneration committee of the Company, 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 the shares of the Company. The Group has also adopted a share award scheme (the "**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.

### PLEDGE OF ASSET

As at 30 June 2012, discounted bills with recourse of approximately HK\$1,624.03 million (At 31 December 2011: approximately HK\$595.14 million) were secured by bill receivables of approximately HK\$1,675.74 million (At 31 December 2011: approximately HK\$611.42 million).

As at 30 June 2012, the short-term bank loans of HK\$403.37 million (At 31 December 2011: HK\$48.80 million) were secured by:

- (a) the land use rights included in property held for development amounting to approximately HK\$108.58 million (At 31 December 2011: approximately HK\$108.58 million).
- (b) approximately HK\$351.03 million fixed bank deposits (At 31 December 2011: nil).

### COMMITMENT

The Company entered into an agreement dated 27 July 2011 and supplemental agreements dated 29 August 2011 and 29 June 2012 with its ultimate holding company, CCHG and its intermediate holding company, CCHK, for the acquisition of interests in several subsidiaries of CCHG at a consideration of RMB254,000,000 (subject to adjustment). These target companies are mainly engaged in hotel operation and provision of marine entertainment services and sales of goods and provision of services in relation to consignment sales of goods in Hainan Province, the PRC. The proposed acquisition has not yet been completed as certain conditions precedent to the acquisition have not been satisfied as of the date of this report. Details of the proposed acquisition are set out in the Company's circular dated 30 September 2011.

### GUARANTEES

As at 30 June 2012, the Group had contingent liabilities in relation to guarantees of approximately HK\$37,987,000 (At 31 December 2011: HK\$30,977,000) given to banks in respect of mortgage loans granted to purchasers of certain property units in Mainland China.

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.

### POST REPORTING DATE EVENT

On 13 August 2012, the Group entered into a framework agreement in relation to a proposed acquisition of 82% of a company which indirectly holds 60% interests in a group of companies principally engaging in, amongst others, exploration and mining of coal resources in the PRC at an aggregate consideration of RMB615 million (subject to adjustment). Details of the proposed acquisition are set out in the Company's announcement dated 21 August 2012.



## OTHER INFORMATION

### PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 6,630,000 shares of the Company at a total consideration of about HK\$1.99 million.

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

As at 30 June 2012, 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 of Hong Kong Limited (the "**Stock Exchange**") are as follows:

#### Long Position

Name of Director	Interests in the Company or its associated corporation	Nature of interest	Number of Shares	Approximate percentage of issued share capital
Yuan Shaoli	The Company	Beneficial owner	300,000( <i>Note</i> )	0.0072%
Wang Hongxin	The Company	Beneficial owner	600,000( <i>Note</i> )	0.0144%
Wang Tianlin	The Company	Beneficial owner	400,000( <i>Note</i> )	0.0096%

*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 2012, none of Directors had registered an interest or short position in the shares, underlying shares 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 IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, 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 share capital and underlying shares of the Company.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

### 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 <i>(Note 1)</i>	2,286,343,570	54.91%
China Chengtong Hong Kong Company Limited ("CCHK")	Controlled corporation <i>(Note 1)</i> Beneficial owner	2,286,343,570 718,485,943 <i>(Note 2)</i>	54.91% 17.26%
China Chengtong Holdings Group Limited ("CCHG")	Controlled corporation <i>(Note 1)</i>	3,004,829,513	72.17%

#### Notes:

- 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 held by World Gain under the SFO.
- These Shares of the Company represent the consideration Shares which may be allotted and issued to CCHK, upon completion of the Acquisition Agreement (as defined in the circular of the Company dated 30 September 2011, and assuming the consideration to be payable by the Company under the Acquisition Agreement is adjusted to its maximum extent).

Save as disclosed above, as at 30 June 2012, no other person had any interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or 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 extraordinary general meeting of the Company held on 24 June 2003, the Company has adopted a share option scheme. During the period under review, no share option had been granted, exercised, cancelled or lapsed. There was no outstanding share option as at 1 January 2012 and 30 June 2012.

### 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 awarded by the Board under the Share Award Scheme will represent in excess of 1% of the issued Shares 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.





## OTHER INFORMATION

### SHARE AWARD SCHEME (Continued)

During the six months ended 30 June 2012, based on the Company's instructions, the trustee of the Share Award Scheme has purchased a total of 6,630,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$1.99 million.

On 22 June 2012, the Board resolved to award 2,650,000 Shares to selected employees under the Share Award Scheme, among which an aggregate of 1,300,000 Shares were awarded to certain Directors.

Date of award	Number of Shares	Vesting period
22 June 2012	2,650,000	22 June 2012 - 21 June 2013

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to each of the directors of the Company, the Company has received confirmations from all directors of the Company that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2012.

### CHANGES IN INFORMATION ON DIRECTORS

Subsequent to the date of the 2011 annual report of the Company, changes in information of directors of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- Mr. Tsui Yiu Wa, Alec, an independent non-executive Director of the Company, has retired as an independent non-executive director of China BlueChemical Limited with effect on 5 June 2012.
- Mr. Ba Shusong, an independent non-executive Director of the Company, has resigned as an independent non-executive director of Industrial Bank Co., Ltd. (listed on the Shanghai Stock Exchange) in June 2012.

### 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 of the Company, the Company had complied with all the code provisions of (i) the former Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period from 1 January 2012 to 31 March 2012 and (ii) the revised and renamed Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") for the period from 1 April 2012 to 30 June 2012, save as disclosed below:

#### Code provision A.6.7 of the Code

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Due to other business commitment, Mr. Ba Shusong, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 21 June 2012.

### REVIEW OF ACCOUNTS

The Board is of the view that 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 condensed consolidated financial statements for the six months ended 30 June 2012 in conjunction with the auditor of the Company.

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

Hong Kong, 23 August 2012