



CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

Interim Report

2005



BOARD OF DIRECTORS

Executive Directors

Zhang Guotong (*Vice Chairman and
Managing Director*)

Wu Chun Wah, Michael

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

AUDIT COMMITTEE

Kwong Che Keung, Gordon (*Chairman*)

Tsui Yiu Wa, Alec

Lao Youan

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

The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

Suites 2904-2907

29/F, One International Finance Centre

1 Harbour View Street, Central

Hong Kong

Tel: (852) 2160-1600

Fax: (852) 2160-1608

E-mail: public@hk217.com

SHARE REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited

Shops 1712-1716

17/F., Hopewell Centre

183 Queen's Road East, Wanchai,

Hong Kong

Tel: (852) 2862-8628

Fax: (852) 2865-0990

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

The Board of Directors of China Chengtong Development Group Limited (the "Company ") would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group ") for the six months ended 30 June 2005 together with the comparative figures for the six months ended 30 September 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

	NOTES	1.1.2005 to 30.6.2005 HK\$'000 (Unaudited)	1.4.2004 to 30.9.2004 HK\$'000 (Unaudited) (Restated)
Turnover	4	108,942	152,254
Cost of sales		(112,163)	(151,701)
Gross (loss) profit		(3,221)	553
Other income		1,344	205
Distribution costs		(462)	(549)
Administrative expenses		(13,010)	(13,299)
Gain on disposal of subsidiaries		-	162,989
Provision for legal claims	5	(52,078)	-
Share of result of associates		(1)	(261)
Finance costs	6	(13)	(32)
(Loss) profit before taxation	7	(67,441)	149,606
Taxation	8	4,385	(2,021)
(Loss) profit for the period		(63,056)	147,585
Attributable to:			
Shareholders of the Company		(61,913)	149,116
Minority interests		(1,143)	(1,531)
		(63,056)	147,585
(Loss) earnings per share	9		
Basic		HK(3.7) cents	HK8.8 cents
Diluted		N/A	HK8.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

	NOTES	30.6.2005 HK\$'000 (Unaudited)	31.12.2004 HK\$'000 (Audited) (Restated)
Non-current assets			
Property, plant and equipment	11	77,431	77,022
Investment properties	11	84,870	84,870
Interests in associates		166,331	175,096
		328,632	336,988
Current assets			
Inventories		3,543	9,114
Properties under development		236,382	170,135
Trade and other receivables	12	33,722	18,991
Bills receivables		316	839
Amount due from a minority interest		1,337	1,337
Amounts due from related companies	13	5,121	5,020
Bank balances and cash		131,332	86,082
		411,753	291,518
Current liabilities			
Trade and other payables	14	243,325	118,950
Provision for legal claims	5	84,870	32,792
Loan from an intermediate controlling shareholder		15,000	15,000
Loan from minority interest		3,978	–
Taxation payable		5	6
Other loans – amount due within one year		7,196	7,196
Bank loans, secured		83,314	17,304
		437,688	191,248
Net current (liabilities) assets		(25,935)	100,270
Total assets less current liabilities		302,697	437,258

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 30 June 2005

	30.6.2005 HK\$'000 (Unaudited)	31.12.2004 HK\$'000 (Audited) (Restated)
Non-current liabilities		
Loan from minority interest	–	3,978
Bank loans, secured – amount due after one year	28,290	94,300
Deferred tax liabilities	1,922	6,599
	30,212	104,877
Net assets	272,485	332,381
Capital and reserves		
Share capital	168,710	168,710
Reserves	65,556	124,309
Equity attributable to shareholders of the Company	234,266	293,019
Minority interests	38,219	39,362
Total equity	272,485	332,381

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Attributable to shareholders of the Company									
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Legal surplus	Share options reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004										
- as previously stated	168,710	939,273	402	284	565	-	(920,014)	189,220	22,294	211,514
- effect of changes in accounting policies (note 3)	-	-	-	-	-	234	(234)	-	-	-
- as restated	168,710	939,273	402	284	565	234	(920,248)	189,220	22,294	211,514
Acquired on acquisition of a subsidiary	-	-	-	-	-	-	-	-	22,641	22,641
Recognition of equity-settled share based payments	-	-	-	-	-	4,085	-	4,085	-	4,085
Profit for the period	-	-	-	-	-	-	99,714	99,714	(5,573)	94,141
At 31 December 2004 and 1 January 2005	168,710	939,273	402	284	565	4,319	(820,534)	293,019	39,362	332,381
Recognition of equity-settled share based payments	-	-	-	-	-	3,160	-	3,160	-	3,160
Loss for the period	-	-	-	-	-	-	(61,913)	(61,913)	(1,143)	(63,056)
At 30 June 2005	168,710	939,273	402	284	565	7,479	(882,447)	234,266	38,219	272,485
At 1 April 2004										
- as previously stated	168,710	939,273	402	284	565	-	(920,014)	189,220	22,294	211,514
- effect of changes in accounting policies (note 3)	-	-	-	-	-	234	(234)	-	-	-
- as restated	168,710	939,273	402	284	565	234	(920,248)	189,220	22,294	211,514
Acquired on acquisition of a subsidiary	-	-	-	-	-	-	-	-	22,638	22,638
Recognition of equity-settled share based payments	-	-	-	-	-	1,890	-	1,890	-	1,890
Profit for the period	-	-	-	-	-	-	149,116	149,116	(1,531)	147,585
At 30 September 2004	168,710	939,273	402	284	565	2,124	(771,132)	340,226	43,401	383,627

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2005*

	1.1.2005 to 30.6.2005 HK\$'000 (Unaudited)	1.4.2004 to 30.9.2004 HK\$'000 (Unaudited)
Net cash generated from operating activities	41,578	5,302
Net cash generated from investing activities:		
Purchase of property, plant and equipment	(3,269)	(12,736)
Repayment of amount due from an associate	8,764	17,395
Purchase and disposal of subsidiaries (net of cash and cash equivalents acquired for/disposed of)	–	71,830
Other investing activities	802	(16,247)
	6,297	60,242
Net cash used in financing activities	(2,625)	(579)
Net increase in cash and cash equivalents	45,250	64,965
Cash and cash equivalents at beginning of the period	86,082	28,755
Cash and cash equivalents at end of the period	131,332	93,720

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. BASIS OF PREPARATION

The condensed 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 "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

During the year of 2004, the Company changed its financial year end date from 31 March to 31 December. The condensed financial statements incorporate the financial statements of the Company and its subsidiaries which cover six months period from 1 January 2005 to 30 June 2005. For prior period, the condensed financial statements incorporated the financial statements of the Company and its subsidiaries which covered six months period from 1 April 2004 to 30 September 2004, and therefore the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement and related notes may not be comparable with amounts shown for the current period.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair value, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's financial statements for the nine months period ended 31 December 2004 except as described below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business combinations

In the current period, the Group has applied HKFRS 3, Business Combinations. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. As all negative goodwill had been released to the profit or loss upon disposal of the subsidiaries in 2004, no adjustment was made to the Group's accumulated losses at 1 January 2005.

Share-based payments

In the current period, the Group has applied HKFRS 2, Share-based Payment, which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors', employees' and other participants' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated (see note 3 for the financial impact).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has no impact on the Group’s accumulated losses on 1 January 2005 and results for the current period.

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. It has no impact on the Group’s accumulated losses on 1 January 2005 and the results for the current period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***Deferred tax related to investment properties**

In previous period, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. It has no impact on the results for current and prior accounting periods.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of changes in the accounting policies described above on the results for the current and prior period are as follows:

	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000
Expenses in relation to share options granted – Increase in administrative expenses	(3,160)	(1,890)

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004	Adjustment	31.12.2004 and 1.1.2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Originally stated)		(Restated)
Accumulated losses	(816,215)	(4,319)	(820,534)
Share options reserve	–	4,319	4,319
Minority interests	–	39,362	39,362
	<hr/>	<hr/>	<hr/>
Total effects on equity	(816,215)	39,362	(776,853)
Minority interests	39,362	(39,362)	–
	<hr/>	<hr/>	<hr/>
	(776,853)	–	(776,853)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES*(Continued)*

The financial effects of the application of the new HKFRSs to the Group's equity at 1 April 2004 are summarised below:

	As originally stated	Adjustment	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accumulated losses	(920,014)	(234)	(920,248)
Share options reserve	–	234	234
Minority interests	–	22,294	22,294
	<u>(920,014)</u>	<u>22,294</u>	<u>(897,720)</u>

4. TURNOVER AND SEGMENT INFORMATION**Business segments**

The Group's principal activities are sale and manufacture of cement, trade of goods, property investment and property development. These four business segments are the basis on which the Group reports its primary segment information. Segment information about these business is presented as below:

	Sale and manufacture of cement	Trade of goods	Property investment	Property development	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the six months ended					
30 June 2005					
Turnover	<u>29,980</u>	<u>78,962</u>	<u>–</u>	<u>–</u>	<u>108,942</u>
Result					
Segment result	<u>(4,559)</u>	<u>5</u>	<u>(32)</u>	<u>592</u>	<u>(3,994)</u>
Unallocated corporate expenses					(11,355)
Provision for legal claims	–	–	(52,078)	–	(52,078)
Share of results of associates					(1)
Finance costs					<u>(13)</u>
Loss before taxation					(67,441)
Taxation					<u>4,385</u>
Loss for the period					<u>(63,056)</u>

4. TURNOVER AND SEGMENT INFORMATION (Continued)**Business segments** (Continued)

	Sale and manufacture of cement HK\$'000	Trade of goods HK\$'000	Property investment HK\$'000	Property development HK\$'000	Consolidated HK\$'000 (Restated)
For the six months ended 30 September 2004					
Turnover	58,747	93,471	36	-	152,254
Result					
Segment result	(2,308)	79	(390)	(824)	(3,443)
Unallocated corporate expenses					(9,647)
Gain on disposal of subsidiaries	-	-	162,989	-	162,989
Share of results of associates					(261)
Finance costs					(32)
Profit before taxation					149,606
Taxation					(2,021)
Profit for the period					147,585

Geographical segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market	
	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000
Hong Kong	78,962	93,471
Mainland China	29,980	58,783
	108,942	152,254

5. PROVISION FOR LEGAL CLAIMS

	<i>HK\$'000</i>
Balance at 1 January 2005	32,792
Provided for the period	52,078
	<hr/>
Balance at 30 June 2005	84,870
	<hr/>

On 11 November 2004, the Company made a press announcement in relation to a petition (the "Petition 1") filed against a wholly-owned subsidiary of the Company (the "Subsidiary"), seeking an order, among other matters, for the transfer of one of the Group's investment properties with carrying value of HK\$43,722,000 as at 30 June 2005 in favour of the plaintiff (the "Plaintiff") and payment of related court expenses. In September 2005, a judgment in favour of the Plaintiff was granted by the Intermediate People's Court of Guangzhou City. The court ordered the Subsidiary to transfer the investment property to the Plaintiff. In the meantime, the directors made a provision of HK\$43,722,000 for Petition 1. The directors, after consulting with the Group's legal counsel, will make an appeal to the respective PRC court in the near future.

On 10 June 2005, the Company made another press announcement in relation to another petition (the "Petition 2") filed by the Plaintiff against the Subsidiary, seeking an order, among other matters, a damages claim and transfer of another investment property with carrying value of HK\$41,148,000 as at 30 June 2005, in favour of the Plaintiff. The Petition 2 was heard by the Intermediate People's Court of Guangzhou City on 15 June 2005 but the hearing procedures has not been completed as at the interim report date. Having obtained the advice of the Group's legal counsel, the directors are of the opinion that provision of HK\$41,148,000 is considered adequate for Petition 2.

6. FINANCE COSTS

	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000
Interest on bank borrowings wholly repayable within five years	(2,525)	(515)
Less: Amount capitalised in the cost of properties under development	2,512	483
	<hr/> (13) <hr/>	<hr/> (32) <hr/>

7. (LOSS) PROFIT BEFORE TAXATION

	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	2,300	3,709
Loss on disposal of property, plant and equipment	-	38
and after crediting:		
Gain on disposal of property, plant and equipment	243	-

8. TAXATION

	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000
The charge comprises:		
The Company and subsidiaries:		
Hong Kong Profits Tax	(292)	-
Deferred taxation	4,677	(2,021)
Taxation credit (charge) for the period	4,385	(2,021)

No provision for Hong Kong Profits Tax has been made in current period as the Group has no assessable profit in current period.

The charge for the current period represents the underprovision of Hong Kong Profits Tax in prior period. No provision for Hong Kong Profits Tax had been made in prior period as the Group's estimated assessable profit for that period was wholly absorbed by the taxation losses brought forward.

8. TAXATION *(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 and associates. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. No provision for PRC Enterprise Income Tax has been made in both periods as no assessable profits were made by the PRC subsidiaries during both periods.

9. (LOSS) EARNINGS PER SHARE

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

	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000 (Restated)
Net (loss) profit for the period and (loss) earnings for the purposes of basic and diluted earnings per share	(61,913)	149,116
Weighted average number of ordinary shares for purpose of basic (loss) earnings per share	1,687,104,968	1,687,104,968
Effect of dilutive potential ordinary shares in respect of share options	N/A	41,227
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	N/A	1,687,146,195

No diluted loss per share has been presented for the current period as the exercise of the Company's outstanding share options would reduce net loss per share.

10. SHARE OPTIONS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 January 2005	55,050,000
Lapsed during the period	(5,150,000)
	<hr/>
Outstanding at 30 June 2005	<u>49,900,000</u>

As mentioned in Note 2, the Group has, for the first time, applied HKFRS 2 *Share-based Payments* to account for its share options in the current period. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In the current period, an amount of share option expense of HK\$3,160,000 (1 April 2004 to 30 September 2004: HK\$1,890,000) has been recognised in the current period, with a corresponding adjustment recognised in the Group's share option reserve.

The fair values of the options were determined by the Group at the dates of grant using the Black-Scholes option pricing model which requires the input of highly subjective assumptions, including the volatility of share price. Changes in subjective input assumptions can materially affect the fair value estimate.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK\$3,269,000 (six months period ended 30 September 2004: HK\$12,736,000) on acquisitions of property, plant and equipment.

At 30 June 2005, the directors have considered the Group's investment properties are carried at fair value amounts at the balance sheet date. Accordingly, no gains or losses arising from changes in the fair value has been recognised in profit or loss during the current period.

12. TRADE AND OTHER RECEIVABLES

	30.6.2005 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
Trade receivables	9,121	7,713
Prepayments and deposits	1,973	1,992
Other receivables	22,628	9,286
	33,722	18,991

The Group allows an average credit period of 30 days (31 December 2004: 30 days) to its trade customers on open account credit terms. The aged analysis of the trade receivables at 30 June 2005 is as follows:

	30.6.2005 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
Current	2,968	1,443
One to three months	682	796
Over three months	5,471	5,474
	9,121	7,713

13. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	30.6.2005 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
中國物資開發投資總公司	4,621	4,621
Nardu Company Limited	65	27
Panyu Lucky Rich Real-Estates Development Limited	429	372
Tat Yeung Investments Limited	6	-
	5,121	5,020

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 Company, the ultimate controlling shareholder of the Company. Nardu Company Limited, Panyu Lucky Rich Real-Estates Development Limited and Tat Yeung Investments Limited are subsidiaries of China Chengtong Hong Kong Company Limited, a substantial shareholder of the Company.

14. TRADE AND OTHER PAYABLES

	30.6.2005 HK\$'000	31.12.2004 <i>HK\$'000</i>
Trade payables	83,621	52,462
Deposits received from pre-sales of properties under development	92,786	19,156
Other deposits received, other payables and accruals	66,918	47,332
	243,325	118,950

The aged analysis of the trade payables at 30 June 2005 is as follows:

	30.6.2005 HK\$'000	31.12.2004 <i>HK\$'000</i>
Current	5,986	6,056
One to three months	11,452	14,377
Over three months	66,183	32,029
	83,621	52,462

15. 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:

	30.6.2005 HK\$'000	31.12.2004 <i>HK\$'000</i>
Within one year	2,239	2,342
In the second to fifth year inclusive	1,026	2,103
	3,265	4,445

15. OPERATING LEASE COMMITMENTS *(Continued)***As lessor**

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

	30.6.2005 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
Within one year	913	913
In the second to fifth year inclusive	456	913
	1,369	1,826

16. CAPITAL COMMITMENTS

	30.6.2005 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
Capital commitments in respect of properties under development:		
Contracted but not provided for	44,586	98,016
Authorised but not contracted for	63,447	72,018
	108,033	170,034
Capital commitments in respect of acquisition of property, plant and equipment:		
Contracted but not provided for	2,358	6,688

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2005 (six months ended 30 September 2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 June 2005 ("the period"), the interim consolidated loss of the Group attributable to shareholders was HK\$62 million. (Six months ended 30 September 2004 ("the corresponding period"): restated net profit HK\$149 million). Loss per share for the period was HK\$3.7 cents. During the period, the Group's turnover was HK\$109 million, 28% lower than the corresponding period. Affected by the PRC macro-economic austerity measures, the turnover of our subsidiary Suzhou Nanda Cement Company Limited ("Suzhou Nanda") and trading businesses have declined.

During the period, our Group continued to implement strict financial and cost control and the total administrative and other operating expenses was slightly lower than the corresponding period.

BUSINESS REVIEW

Property investments

The Group acquired 70% interests of a residential development project located in Beijing last year. Sales program was launched in the year and received positive response. The project is not yet completed and therefore the relative sales income and profit could not be reflected in the period. The project is anticipated to be completed before the end of 2005 and is expected to deliver positive result to the Group.

During the period, demand for graded A office premises in Shanghai remained strong. The Group's indirect investment interests in a grade A office building located in Shanghai continued to deliver consistent return. The occupancy rate was over 90% and it delivered a healthy cashflow to the Group.

BUSINESS REVIEW *(Continued)*

Property investments *(Continued)*

Our Group's wholly owned subsidiary, Merry World Associates Limited ("Merry World") was involved in legal disputes on titles of its properties situated at Li Wan Plaza, zone C level 3 ("3C") & zone A level 3 ("3A"), 9 Dexing Lu, Liwan, Guangzhou, PRC. Both disputes were first heard by the Intermediate Peoples' Court of Guangzhou City on 15 March 2005 and 15 June 2005 respectively. On 16 September 2005, Merry World had received judgement for 3C and among other things, Merry World was ordered to transfer back the title of 3C to the plaintiff. The judgement is being studied and discussed with our Chinese legal advisor about the merits of the judgement and the preparation for appeal against the judgement. The Group will appeal against the judgment. As at 20 September 2005, Merry World has not received judgment against 3A.

With reference to the above legal disputes, the Group has adopted a prudent approach and made a full provision for both properties 3A and 3C.

Strategic Investments

During the period, the PRC macro-economic austerity measures have come into effect and slowed down the fixed investment growth rate. Like most of the cement factories in China, our subsidiary, Suzhou Nanda, also suffered from a substantial decrease in the demand and selling price of cement. Based on the six months unaudited result ended 30 June 2005, Suzhou Nanda has recorded a turnover of HK\$30 million and an operating loss of HK\$4.6 million. The management of Suzhou Nanda has implemented a series of measures to control cost and mitigate losses, including reduction of headcount as well as management's salary. Suzhou Nanda is expecting a better operating condition if the cement market stabilizes in the second half of the year.

Trading Business

Trading business recorded a turnover of HK\$79 million with a positive operating profit contribution during the period.

PROSPECTS

China Chengtong Holdings Company ("CCHC"), the ultimate controlling shareholder of our group, has been recently selected by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC as one of the pilot enterprises for state-owned assets management company and will play a significant role in the modeling and reforming of central state-owned enterprises. Under this arrangement, CCHC's main businesses will transform from the logistics and trading business into three principal businesses, namely logistics and trading, investment holding and assets management. The Group will explore on refining its strategic direction according to CCHC's strategic changes and seek opportunities for injecting and acquiring viable quality assets so as to deliver a sustainable return to our shareholders.

PLEDGE OF ASSETS

As at 30 June 2005, the Group's plant and machinery with aggregate carrying value of approximately HK\$14 million and property under development with net book value of HK\$34 million have been pledged as securities for the Group's borrowing and banking facilities.

GEARING RATIO

As at 30 June 2005, the Group's gearing ratio calculated on the basis of total bank loans, loans from minority interests and other loans of approximately HK\$138 million and total assets of approximately HK\$740 million was 0.19.

LIQUIDITY AND CAPITAL RESOURCES

At 30 June 2005, the Group had current assets and current liabilities of HK\$412 million and HK\$438 million respectively (31 December 2004: HK\$291 million and HK\$191 million respectively). The Group had cash and bank balances amounting to HK\$131 million as at 30 June 2005 (31 December 2004: HK\$86 million).

At 30 June 2005, the Group had in aggregate HK\$111 million (31 December 2004: HK\$111 million) bank borrowings secured on certain properties owned by the Group. The Group had unsecured other loans of HK\$7 million (31 December 2004: HK\$7 million). The bank loans together with other loans of approximately HK\$4 million are carrying interest at commercial rates while the remaining other loans are unsecured and interest free. The maturity profile of bank borrowings were HK\$83 million (31 December 2004: HK\$17 million) falling within one year and HK\$28 million (31 December 2004: HK\$94 million) falling between two to five years as at 30 June 2005.

The Company has not issued any additional share during the period ended 30 June 2005 (the corresponding period: Nil).

TREASURY POLICY

The business activities of the Group were funded by bank borrowings, secured loans and cash generated from operating activities. The Group considers that fluctuations in exchange rates and market prices do not impose a significant risk to the Group since the level of foreign currency exposure is relatively immaterial as compared with its total assets value or outstanding debts.

HUMAN RESOURCES

At 30 June 2005, the Group employed a total of 338 employees, of which 13 were based in Hong Kong and 325 in the PRC. Employee's remunerations are determined in accordance with nature of their duties and remain competitive under current market trend.

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

As at 30 June 2005, 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 (Continued)

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 2005 are set out below:–

Date of grant	Exercisable period	Exercise price HK\$	Number of share options					At 30 June 2005	Aggregate long position in underlying shares to issued share capital of the Company %
			At 1 January 2005	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
Directors									
Ma Zhengwu	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	-	1,200,000	0.07
Zhang Gutong	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	-	1,200,000	0.25
	28.9.2004	29.9.2005 to 28.9.2008	0.245	3,000,000	-	-	-	3,000,000	
Li Tiefeng	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	(1,200,000)	-	-	
Wu Chun Wah, Michael	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	-	1,200,000	0.25
	28.9.2004	29.9.2005 to 28.9.2008	0.245	3,000,000	-	-	-	3,000,000	
Hong Shuikun	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	-	1,200,000	0.07
Chen Shengjie	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	(1,200,000)	-	-	
Gu Laiyun	8.3.2004	9.3.2005 to 8.3.2009	0.364	1,200,000	-	-	-	1,200,000	0.19
	28.9.2004	29.9.2005 to 28.9.2008	0.245	2,000,000	-	-	-	2,000,000	
Xu Zhen	8.3.2004	9.3.2005 to 8.3.2009	0.364	600,000	-	-	-	600,000	0.04
				17,000,000	-	(2,400,000)	-	14,600,000	
Other employees									
In aggregate	8.3.2004	9.3.2005 to 8.3.2009	0.364	14,000,000	-	(1,750,000)	-	12,250,000	
	28.9.2004	29.9.2005 to 28.9.2008	0.245	24,050,000	-	(1,000,000)	-	23,050,000	
				38,050,000	-	(2,750,000)	-	35,300,000	2.09
Total				55,050,000	-	(5,150,000)	-	49,900,000	

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 30 June 2005, 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	608,201,500	36.05%
China Chengtong Hong Kong Company Limited	controlled corporation	608,201,500	36.05%
China Chengtong Holdings Company	beneficial owner (<i>note</i>)	608,201,500	36.05%

Note: 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 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 30 June 2005.

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 2005.

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 2004.

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 2005, 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 three independent non-executive directors, including Mr Kwong Che Keung, Gordon, Mr Tsui Yiu Wa, Alec and Mr Lao Youan, 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

The Board has set up a Remuneration Committee with written terms of reference with effect from 29 March 2005. The Remuneration Committee comprises five members, of which three are independent non-executive directors, namely Mr Kwong Che Keung, Gordon, Mr Tsui Yiu Wa, Alec and Mr Lao Youan.

DISCLOSURE PURSUANT TO THE LISTING RULES

As at 30 June 2005, the aggregate amount of advances made by the Group to its associate was approximately HK\$167,154,000.

The unaudited balance sheet of associate, Goodwill (Overseas) Limited as at 30 June 2005 disclosed in accordance with 13.22 of Chapter 13 of the Listing Rules is as follows:

	<i>HK'000</i>
Non-current assets	512,251
Current assets	23
Current liabilities	(568)
Net current liabilities	(545)
Non-current liabilities	
Shareholders' loans	(515,105)
Net liabilities	(3,399)

By Order of the Board

China Chengtong Development Group Limited

Zhang Guotong

Managing Director

Hong Kong, 21 September 2005