



Zhongtian International Limited 中天國際控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 02379

* for identification purposes only

Interim Report 2017





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHEN Dezhao (*Chairman*)

ZHAO Yun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Chak Kwan

(appointed on 25 May 2017)

GUO Qiang (resigned on 25 May 2017)

CHEN Wen Ping

LIU Jin Lu

COMPANY SECRETARY

TAI Man Hin, Tony (*CPA*)

AUDIT COMMITTEE

CHEN Wen Ping (*Chairman*)

Chan Chak Kwan

(appointed on 25 May 2017)

GUO Qiang (resigned on 25 May 2017)

LIU Jin Lu

REMUNERATION COMMITTEE

CHEN Wen Ping (*Chairman*)

CHEN Dezhao

Chan Chak Kwan

(appointed on 25 May 2017)

GUO Qiang (resigned on 25 May 2017)

NOMINATION COMMITTEE

CHEN Dezhao (*Chairman*)

CHEN Wen Ping

Chan Chak Kwan

(appointed on 25 May 2017)

GUO Qiang (resigned on 25 May 2017)

LEGAL ADVISORS AS TO HONG KONG LAWS

Loong & Yeung Solicitors

AUTHORISED REPRESENTATIVES

CHEN Dezhao

ZHAO Yun

STOCK CODE

02379

COMPANY'S WEBSITE

www.irasia.com/listco/hk/zhongtian

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F

China Building

29 Queen's Road Central

Hong Kong

AUDITORS

Crowe Horwath (HK) CPA Limited

PRINCIPAL BANKERS

China Construction Bank,

No.3 branch, Shinan District, Qingdao

Hua Xia Bank

Nanjing Road Sub-branch

Qingdao

The Hongkong and Shanghai Banking

Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

Royal Bank House

3rd Floor,

24 Shedden Road

P.O. Box 1586

Grand Cayman

KY1-1110

Cayman Islands

REGISTERED OFFICE

Cricknet Square Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5th Floor, Block C

Zhongtian Building

No. 38 Shandongtou Road

Laoshan District

Qingdao City

Shandong Province

The People's Republic of China

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The board (the “Board”) of directors (the “Director(s)”) of Zhongtian International Limited (the “Company”, together with its subsidiaries, collectively known as the “Group”) is pleased to present the Group’s unaudited consolidated results for the six months ended 30 June 2017 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Unaudited Six months ended 30 June	
		2017 RMB'000	2016 RMB'000 (Restated)
Revenue	2	19,804	11,248
Cost of sales		–	–
Gross profit		19,804	11,248
Other income and other gains or losses	3	315	28,872
Change in fair value of investment properties	8	80,900	–
General and administrative expenses		(3,495)	(10,689)
Profit from operations		97,524	29,431
Finance costs		(8,294)	(7,407)
Profit before taxation	4	89,230	22,024
Income tax	5	(34,255)	(1,037)
Profit for the period		54,975	20,987
Attributable to:			
Equity holders of the Company		54,975	20,987
Other comprehensive profit for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of foreign operations		2,305	–
Total comprehensive profit for the period		57,280	20,987
<i>Attributable to owners of the Company</i>			
Earnings per share (expressed in RMB cents)			
Basic and diluted	7	13.4	6.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
NON-CURRENT ASSETS			
Fixed assets			
– Property, plant and equipment		5,299	5,336
– Leasehold land held under operating lease		3,587	3,624
Investment properties	8	770,470	689,570
		779,356	698,530
CURRENT ASSETS			
Trade and other receivables	9	101,948	34,134
Cash and cash equivalents		607,729	6,407
		709,677	40,541
CURRENT LIABILITIES			
Trade and other payables	10	28,380	43,316
Amounts due to directors		217	221
Amount due to a controlling shareholder of the Company		13,583	13,858
Tax payable		5,190	5,190
Bank and other borrowings	11	105,200	104,658
		152,570	167,243
NET CURRENT ASSETS/(LIABILITIES)		557,107	(126,702)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,336,463	571,828

	Notes	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Bank and other borrowings	11	749,550	76,450
Deferred tax liabilities		226,565	192,310
		976,115	268,760
NET ASSETS			
		360,348	303,068
CAPITAL AND RESERVES			
Share capital	12	3,667	3,667
Reserves		356,681	299,401
TOTAL EQUITY			
		360,348	303,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	(Unaudited)					
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Property revaluation reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2017	3,667	328,194	(3,341)	1,652	(27,104)	303,068
Net profit for the period	-	-	-	-	54,975	54,975
Other comprehensive profit for the period:						
Exchange difference on translation of financial statements of foreign operations	-	-	2,305	-	-	2,305
At 30 June 2017	3,667	328,194	(1,036)	1,652	27,871	360,348
At 1 January 2016	2,634	220,979	-	1,652	(84,048)	141,217
Net profit for the period (Restated)	-	-	-	-	20,987	20,987
Issuing of ordinary shares	1,033	107,455	-	-	-	108,488
At 30 June 2016 (Restated)	3,667	328,434	-	1,652	(63,061)	270,692

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Net cash (used in)/generated from operating activities	(63,992)	13,297
Investing activities		
Payment for acquisition of property, plant and equipment	(30)	–
Net cash outflows on acquisition of subsidiaries	–	(19,263)
Net cash used in investing activities	(30)	(19,263)
Financing activities		
Proceeds from bank and other borrowings	675,000	30,000
Repayment of other borrowing	(1,316)	(130,046)
Interest paid	(8,294)	(7,407)
Net cash generated from (used in) financing activities	665,390	(107,453)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	601,368	(113,419)
Cash and cash equivalents at beginning of the period	6,407	118,236
Effect of foreign exchange rate changes	(46)	(215)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY CASH AND BANK BALANCES	607,729	4,602



NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016.

1. BASIS OF PREPARATION *(Continued)*

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current and prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective for the accounting period of these financial statements.

2. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's revenue represents the rental income from investment properties.

(b) Business segments

During the Reporting Period, the Group was principally engaged in two major business segments, which were trading and property.

- (i) Property: this segment includes property development, investment and leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently, the Group's investment properties are located in the People's Republic of China ("PRC").
- (ii) Trading: sale of intelligent electronic products and modern office furniture products in the PRC.

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Business segments *(Continued)*

Business segments for the period are as follows:

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated)
Revenue		
Trading	–	–
Property	19,804	11,248
	19,804	11,248
Segment results		
Trading	–	–
Property	100,704	38,822
	100,704	38,822
Unallocated other operating income	315	1,298
Unallocated corporate expenses	(3,495)	(10,689)
Finance cost	(8,294)	(7,407)
Profit before income tax expenses	89,230	22,024
Income tax expenses	(34,255)	(1,037)
Profit for the period	54,975	20,987

(c) Geographical segments

No geographical segments information of the Group is shown as the Group's operations, sales by geographical market are located in the PRC.

3. OTHER INCOME AND OTHER GAINS OR LOSSES

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
		(Restated)
Interest income on bank deposits	14	5
Sundry income	301	1
Interest income on money lending	–	1,292
Gain on bargain purchase from business combination (Note)	–	27,574
	315	28,872

Note:

On 13 November 2015, the Group and Mr. Chen Jun (“Mr. Chen”), then substantial shareholder and former Director, entered into a sale and purchase agreement (the “SPA”) based on which, the Group agreed to acquire and Mr. Chen agreed to sell the entire equity interests of Golden Century Trade Limited and its subsidiaries (the “Golden Century Group”) at the consideration, comprising cash of RMB20,000,000 and 124,000,000 new ordinary shares at the par value of HK\$0.01 each of the Company (the “Share(s)”) at the issue price of HK\$1.35 per share, after an arm’s length of negotiations (the “Acquisition”). In the Company’s circular dated 6 March 2016 for the Acquisition, the Company’s two joint independent financial advisers also provided an opinion to the Company’s independent shareholders (excluding Mr. Chen and his associates) that the consideration for the Acquisition was fair and reasonable. At the Company’s extraordinary general meeting held on 22 March 2016, the Acquisition was approved by the independent shareholders of the Company. The Acquisition was completed on 31 March 2016 (the “Completion Date”). The fair value of the consideration at the Completion Date was RMB128,248,000, including the fair value of RMB108,248,000 for those 124,000,000 new ordinary Shares, determined by reference to the closing price of the Shares on the issue date which was also the Completion Date. At the Completion Date, the fair value of net identifiable assets and liabilities of the Golden Century Group acquired was RMB155,822,000. A gain on bargain purchase from business combination of RMB27,574,000 was recognised.

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Finance cost	8,294	7,407
Depreciation of property, plant and equipment	104	97

5. INCOME TAX

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current Tax	–	–
Deferred Tax	(34,255)	(1,037)
	(34,255)	(1,037)

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for both periods.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the income tax rules and regulations of the PRC, the applicable PRC enterprise income tax rate of the Group is 25% (six months ended 30 June 2016: 25%).

5. INCOME TAX *(Continued)*

On 23 March 2016, China's Ministry of Finance and State Administration of Taxation jointly issued Circular Caishui [2016] 36 which contains the valued-added tax ("VAT") rates and rules applicable to all of the industries which are transitioning from Business Tax to VAT with effect from 1 May 2016, including the real estate sector. The VAT rate for real estate sector is 11%, with grandfathering rules applicable to entities with properties acquired before 1 May 2016, for which 5% simplified VAT method would be applied on gross revenue from leasing or net gain from sales of properties.

Deferred taxation has been provided in relation to the change in fair value of land held as investment property under development.

6. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2016: Nil).

7. EARNING PER SHARE

The calculation of basic earning per share of the Company is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2017 of approximately RMB54,975,000 (six months ended 30 June 2016: restated profit of approximately RMB20,987,000) and weighted average number of Shares in issue during the six months ended 30 June 2017 of 410,209,122 (six months ended 30 June 2016: 317,124,190).

There were no dilutive potential Shares for the six months ended 30 June 2017 and 30 June 2016, and diluted earning per share is the same as basic earning per share.

8. INVESTMENT PROPERTIES

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Investment properties, at fair value	770,470	689,570



8. INVESTMENT PROPERTIES *(Continued)*

The land held as investment property under development is situated in Qingdao, the PRC and held under a medium term lease of 40 years. It is the intention of the Group to develop the above land held as investment property under development into an office complex for rental purposes and/or capital appreciation.

Land held as investment property under development was revalued on 30 June 2017 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited being an independent firm of valuer, who has amongst their staff, fellow members of chartered surveyors with qualification and recent experience in the location and category of similar properties being valued. The fair value of land held as investment property under development is revalued by reference to recent transaction prices of similar land, based on the direct comparison approach.

The change in fair value which amounted RMB80,900,000 is recognised in profit or loss for the Reporting Period. Deferred tax charges of RMB34,255,000 arising from change in fair value of the investment properties as at 30 June 2017. The investment properties are pledged to banks and other financial institutions for bank and other borrowings of the Group, as further detailed in note 11 of this report.

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables of RMB101,948,000 (31 December 2016: RMB34,134,000) include trade receivables of RMB1,142,000 (31 December 2016: RMB7,740,000).

The Group has a policy of allowing a credit period ranging from 10 to 30 days.

9. TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of trade receivables net of provision for impairment at the end of the Reporting Period, based on the invoice date, is as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
0-30 days	–	–
31-60 days	–	–
61-90 days	–	103
91-180 days	32	1,006
181-365 days	1,110	6,631
Over 365 days	–	–
	1,142	7,740

10. TRADE AND OTHER PAYABLES

Trade and other payables of RMB28,380,000 (31 December 2016: RMB43,316,000) include trade payables of RMB1,195,000 (31 December 2016: RMB2,965,000).

The aging analysis of trade payables at the end of the Reporting Period, based on the invoice date, is as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
0-30 days	–	69
31-60 days	–	47
61-90 days	–	10
91-180 days	126	263
181-365 days	263	487
Over 365 days	806	2,089
	1,195	2,965

11. BANK AND OTHER BORROWINGS

As at 30 June 2017, the Group had bank and other borrowings as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Secured bank borrowings	214,750	139,750
Secured borrowings from other financial institutions	640,000	40,000
Other secured borrowings	–	1,358
	854,750	181,108

As at 30 June 2017, interest-bearing bank and other borrowings were due for repayment as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Carrying amounts repayable:		
Within 1 year	105,200	104,658
After 1 year but within 2 years	15,300	14,300
After 2 years but within 5 years	715,900	42,900
After 5 years	18,350	19,250
	854,750	181,108
Less: Current portion	(105,200)	(104,658)
	749,550	76,450

As at 30 June 2017, bank and other borrowings were interest bearing at 4.75% to 9.0% per annum.

11. BANK AND OTHER BORROWINGS *(Continued)*

A bank borrowing of RMB15,750,000 was secured by certain investment properties (note 8), leasehold land and buildings held under operating lease. Bank borrowings of RMB199,000,000 were secured by certain investment properties (note 8) and/or guaranteed by Mr. Chen, a controlling shareholder of the Company as at 30 June 2017.

Borrowings of RMB640,000,000 from other financial institutions were secured by certain investment properties (note 8) and/or guaranteed by Mr. Chen.

12. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2017 (Unaudited) '000	31 December 2016 (Audited) '000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Authorised: Ordinary shares of HK\$0.01 each	10,000,000	10,000,000	100,000	100,000
Issued and fully paid:				
As at 1 January 2017/2016	410,209	286,209	3,667	2,634
Issuing of ordinary share related to acquisition transaction	–	124,000	–	1,033
As at 30 June 2017/ 31 December 2016	410,209	410,209	3,667	3,667

13.COMMITMENTS

At the end of the Reporting Period, the Group had the following commitments:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Authorised but not contracted for (note (a))	184,609	184,609
Contracted but not provided for	1,885	1,885

Note:

- (a) As at 30 June 2017, the Group had authorised but not contracted for capital commitments for construction costs relating to the land held as investment property under development.

14.EVENT AFTER THE REPORTING PERIOD

On 19 June 2017, the Company made applications to the Shanghai Assets and Equity Exchange to be the bidder in each of the biddings for 60% and 40% equity interest in Copthorne Hotel Qingdao Company Limited (the “Target Company”). The Target Company is principally engaged in hotel operations and catering business.

Subsequent to the end of the Reporting Period, the Company has decided not to proceed with the biddings. The Board considers that the termination of the biddings has no material adverse impact on the business operation and financial position of the Group.

Please refer to the Company’s announcements dated 19 June 2017 and 6 July 2017 for the details.

15.APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 22 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Reporting Period, the Group was principally engaged in two business segments, namely trading and property.

Trading

Trading of intelligent electronic products and modern office furniture products became a business segment with fewer obstructions in the course of transition of the Group's operation towards diversification.

Meanwhile, as the competition in this business segment has been keen and the overall cost for exploring new customers has been relatively high, the Group has been striving to preclude this business segment from becoming the major source of income of the Group.


Property

After the renovation of its investment properties in 2010 and further acquisition of new office premises in 2016, the Group leased its commercial properties to generate rental revenue, and there was a comparatively stable and growing revenue generated from the property segment. Taking into account the improvements in the local investment environment and the favourable conditions in the local commercial property market, the Board will continue to pay attention to the development of this business segment and to identify and seek suitable opportunities for further investments.

As at 30 June 2017, the details of the investment properties of the Group are as follows:

(a) Completed Properties

Particulars	Location	Total approximate gross floor area	Approximate occupancy rate
Composite building with 11 commercial units, 24 office units and an underground storage unit	Laoshan District, Qingdao City, the PRC	12,499 sq.m.	99.9%
244 underground car parking spaces within a composite building	Laoshan District, Qingdao City, the PRC	10,250 sq.m.	N/A – leasing out at hourly basis
A storey in a commercial building	Shinan District, Qingdao City, the PRC	1,511 sq.m.	84.3%



All the commercial and office units in the composite building located at the Laoshan District, Qingdao City, the PRC, have been leased out. A lease agreement has been entered into between a tenant and the Group for an initial period of 3 years. An underground storage with a gross floor area of 14.82 sq.m. has not been rented out. 244 underground car parking spaces in the composite building have been rented out on an hourly basis to tenants and visitors to the composite building.

Most of the units in the storey in a commercial building located at the Shinan District, Qingdao City, the PRC have been leased out. Lease agreements have been entered into between the tenants and the Group with the initial periods ranging from 3 to 10 years.

(b) Land under Development

The land of the Company which is under development is situated within the Chengyang District in Qingdao City, the PRC, with a site area of approximately 91,165 sq.m. which is planned as to 66% and 34% of its gross floor area for (i) wholesale and retail use and (ii) business and financial use, respectively. The management of the Company is still following up with the local government on the recent changes in the development plan around the area. A concrete plan of development of the land will be filed for the domestic government's approval once the overall plan has been confirmed.

Taking into account the improvements in the local investment environment and the favourable conditions in the local commercial property market, the Board will continue to pay attention to the development of this segment and to identify and seek suitable opportunities for further investments.

FINANCIAL REVIEW

Turnover

The Group's total turnover for the Reporting Period was approximately RMB19,804,000, representing an increase of approximately 76% from approximately RMB11,248,000 for the corresponding period in 2016. This was mainly attributable to the increase in rental income from the property segment.

Distribution Costs

During the Reporting Period, the Group postponed all marketing activities due to the lack of large-scale tender projects. There is no distribution cost for the six months ended 30 June 2017 (30 June 2016: Nil).

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately RMB3,495,000 (corresponding period ended 30 June 2016: approximately RMB10,689,000), representing a decrease of approximately 67% over the corresponding period ended 30 June 2016. This was mainly attributable to the decrease in the general and administration expenses incurred by the Group in respect of the acquisition of the subsidiaries in the corresponding period ended 30 June 2016.

Net Profit

During the Reporting Period, the Group recorded a net profit of approximately RMB54,975,000 representing an increase of approximately 162% from the restated net profit of approximately RMB20,987,000 for the corresponding period ended 30 June 2016. The increase was mainly attributable to (i) an increase in the revenue as a result of the rental income from office premises and car park spaces and (ii) the fair value gain of investment properties of approximately RMB80,900,000 during the Reporting Period.



BUSINESS REVIEW

Analysis by Business Segment

The Group had been focusing on its property segment since 2016. During the Reporting Period, the Group's principal source of income was the rental income derived from its property segment, which had accounted for 100% of the Group's total turnover. The sales of intelligent electronic products and modern office furniture from the Group's trading segment had not contributed any revenue during the Reporting Period.

During the Reporting Period, all of the Group's income was derived from the Shandong Province, the PRC, which had accounted for 100% of the Group's total turnover.

FUTURE OUTLOOK

Commercial properties of the Group have commenced to generate stable and growing rental revenue and have become a major source of income for the Group. On the other hand, the intelligent electronic products and modern office furniture business of the Group has been diminishing for several years and has shown a continuous decline in sales revenue and profit, which was expected to be a secondary source of income. Besides, the Group has been actively researching, identifying and exploring local property business and other business domains with great potential growth in order to achieve a diversification of income source of the Group in the future.

As China has invested a substantial amount of funding in the innovation and research and development of clean energy, China has produced the largest quantity of clean energy in the world and has been promoting the development of clean energy industry of the world. The "Clean Energy Action" of the Chinese government has already created various positive effects on related industries and sectors. Under such circumstance, the Group has accelerated the deployment in the clean energy industry and is prepared to occupy market share leveraging on its own advantages and in response to its development demand.

DEBTS

As at 30 June 2017, the Group had secured bank and other borrowings of approximately RMB854,750,000 (31 December 2016: approximately RMB181,108,000).

Save as disclosed above, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued, or term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease and mortgages.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the sales of information technology products and modern office furniture, costs of business expansion and property investment. The Group principally finances its operation and investment from operating income, internal resources and bank borrowings.

As at 30 June 2017, the Group had cash and bank balances of approximately RMB607,729,000 (31 December 2016: approximately RMB6,407,000) of which all was held in Renminbi. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was approximately 237.2% (31 December 2016: approximately 59.8%).

During the Reporting Period, the Group did not employ any material financial instrument for hedging purposes.

FOREIGN EXCHANGE

Since the Group mainly operates in the PRC, most of the revenue and transactions arising from its operations were settled in Renminbi and the Group's assets and liabilities are primarily denominated in Renminbi, the Directors believed that the Group would have sufficient foreign exchange to meet its foreign exchange requirements. The Group had not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or other hedging instruments during the Reporting Period.

SUBSTANTIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Reporting Period.



CHARGE ON ASSET AND CONTINGENT LIABILITIES

As at 30 June 2017, the leasehold land with carrying amount of approximately RMB3,587,000, the investment properties with fair value of approximately RMB770,470,000, the building with carrying amount of approximately RMB4,566,000 and the issued shares of a subsidiary of the Group, Qingdao Zhongtian Enterprise Development Company Limited (31 December 2016: the leasehold land with carrying amount of approximately RMB3,624,000, the investment properties with fair value of approximately RMB689,570,000, the building with carrying amount of approximately RMB4,613,000 and the issued shares of a subsidiary of the Group, Qingdao Zhongtian Enterprise Development Company Limited) were pledged for bank and other borrowings of the Group.

As at 30 June 2017, an indirect wholly-owned subsidiary of the Company was involved in 2 legal cases in an aggregate amount of RMB139,000.

Save as disclosed above, the Group had no other material pledge of assets and contingent liabilities as at 30 June 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 23 employees (31 December 2016: 22). Most of the Group's employees are based in the head office of the Group in Qingdao City of Shandong Province in the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Reporting Period was approximately RMB939,000 (30 June 2016: approximately RMB650,000).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 14 to the condensed financial statements of the Group for the Reporting Period set out in this report, the Group did not have any other material subsequent event after the Reporting Period and up to the date of this report.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Directors did not recommend payment of any interim dividend for the Reporting Period (six months ended 30 June 2016: Nil).

CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Reporting Period.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), comprising three independent non-executive Directors, namely Mr. Chen Wen Ping (chairman of the Audit Committee), Ms. Chan Chak Kwan and Mr. Liu Jin Lu, had reviewed and discussed with the management of the Company the accounting principles and practices adopted by the Group, this report and the internal controls and financial reporting matters including a review of the interim results of the Company for the Reporting Period.



REMUNERATION COMMITTEE

The Company established a remuneration committee (the “Remuneration Committee”) on 25 April 2005, comprising two independent non-executive Directors, namely Ms. Chan Chak Kwan and Mr. Chen Wen Ping, and one executive Director, namely Mr. Chen Dezhaoh. Mr. Chen Wen Ping serves as the chairman of the Remuneration Committee.

The Remuneration Committee had made recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration, reviewing and approving management’s remuneration proposal by reference to corporate goals and objectives resolved by the Board. No individual Director or any of his/her associates is allowed to involve in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Company established a nomination committee (the “Nomination Committee”) on 28 March 2012, comprising two independent non-executive Directors, namely Mr. Chen Wen Ping and Ms. Chan Chak Kwan, and one executive Director, namely Mr. Chen Dezhaoh who serves as the chairman of the Nomination Committee.

During the period, the Nomination Committee had

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
- identified individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assessed the independence of independent non-executive Directors; and
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, none of the Directors nor chief executives of the Company had any interests or short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, as far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in ordinary shares of the Company

Name	Capacity/Nature	Number of Shares interested/held	Approximate shareholding percentage
Substantial Shareholder			
Mr. Chen Jun	Interest of a controlled corporation (note 1)	108,042,781	56.57%
	Beneficial owner	5,525,000	1.35%
Zhongtai Securities Company Limited (Note 1)	Beneficial owner	232,042,781	56.57%
Ms. Su Haiqing (Note 2)	Interest of spouse	237,567,781	57.92%



Notes:

- (1) Zhongtai Securities Company Limited is wholly-owned by Zhongtai Financial Investment Limited and in turn wholly owned by Zhongtai Financial International Limited.
- (2) Ms. Su Haiqing is the spouse of Mr. Chen Jun. Under the SFO, Ms. Su Haiqing is deemed or taken to be interested in all the 237,567,781 Shares in which Mr. Chen Jun is interested.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other persons (other than a Director and chief executive of the Company) who had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

By Order of the Board
Chen Dezhao
Chairman

Qingdao City, Shandong Province, the PRC
22 August 2017