



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
2018**



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHEN Dezhao (*Chairman*)

CHEN Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Chak Kwan

CHEN Wen Ping (retired on 25 May 2018)

CUI Haitao (appointed on

28 February 2018)

LIU Jin Lu

COMPANY SECRETARY

TAI Man Hin, Tony (*CPA*)

AUDIT COMMITTEE

CUI Haitao (*Chairman*)

(appointed on 28 February 2018)

Chan Chak Kwan

LIU Jin Lu

CHEN Wen Ping (retired on 25 May 2018)

REMUNERATION COMMITTEE

LIU Jin Lu (*Chairman*)

CHEN Dezhao

Chan Chak Kwan

CUI Haitao (appointed on

28 February 2018)

CHEN Wen Ping (retired on 25 May 2018)

NOMINATION COMMITTEE

CHEN Dezhao (*Chairman*)

CUI Haitao

(appointed on 28 February 2018)

Chan Chak Kwan

CHEN Wen Ping (retired on 25 May 2018)

LEGAL ADVISORS AS TO HONG KONG LAWS

Gallant

AUTHORISED REPRESENTATIVES

CHEN Dezhao

CHEN Jun

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 (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

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KY1-1110

Cayman Islands

REGISTERED OFFICE

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P.O. Box 2681

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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 2018 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Revenue	2	23,873	19,804
Cost of sales		–	–
Other revenue, income and other net gains/losses	3	24,311	315
Change in fair value of investment properties		–	80,900
Administrative expenses		(3,142)	(3,495)
Profit from operations		45,042	97,524
Finance costs		(31,115)	(8,294)
Profit before taxation	4	13,927	89,230
Income tax expenses	5	–	(34,255)
Profit for the period		13,927	54,975
Attributable to:			
Equity holders of the Company		13,927	54,975
Other comprehensive (expense)/income 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		(218)	2,305
Total comprehensive income for the period			
<i>Attributable to owners of the Company</i>		13,709	57,280
Earnings per share (expressed in RMB cents)			
Basic and diluted	7	3.4	13.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
NON-CURRENT ASSETS			
Investment properties	8	790,900	790,900
Fixed assets			
– Property, plant and equipment		5,847	5,966
– Leasehold land held under operating lease		3,513	3,550
Loan and other receivables		609,000	604,500
Prepayment for construction cost	9	–	45,000
		1,409,260	1,449,916
CURRENT ASSETS			
Inventory		93	29
Trade and other receivables	10	69,426	27,237
Cash and cash equivalents		7,161	25,341
		76,680	52,607
CURRENT LIABILITIES			
Trade and other payables	11	45,996	39,442
Amounts due to directors		328	323
Amount due to the ultimate controlling party of the Company		10,293	15,244
Tax payable		5,788	5,788
Bank and other borrowings	12	74,300	104,300
		136,705	165,097
NET CURRENT LIABILITIES		(60,025)	(112,490)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,349,235	1,337,426

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Bank and other borrowings	12	734,250	736,150
Deferred tax liabilities		215,046	215,046
		949,296	951,196
NET ASSETS			
		399,939	386,230
CAPITAL AND RESERVES			
Share capital	13	3,667	3,667
Reserves		396,272	382,563
TOTAL EQUITY			
		399,939	386,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(Unaudited)

	Reserves					Sub-total RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Property revaluation reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000		
At 1 January 2018	3,667	328,194	(3,660)	1,652	56,377	382,563	386,230
Net profit for the period	-	-	-	-	13,927	13,927	13,927
Other comprehensive income for the period:							
Exchange difference on translation of financial statements of foreign operations	-	-	(218)	-	-	(218)	(218)
Total comprehensive income (expenses) for the period	-	-	(218)	-	13,927	13,709	13,709
At 30 June 2018	3,667	328,194	(3,878)	1,652	70,304	396,272	399,939
At 1 January 2017	3,667	328,194	(3,341)	1,652	(27,104)	299,401	303,068
Net profit for the period	-	-	-	-	54,975	54,975	54,975
Other comprehensive income for the period:							
Exchange difference on translation of financial statements of foreign operations	-	-	2,305	-	-	2,305	2,305
Total comprehensive income (expenses) for the period	-	-	2,305	-	54,975	57,280	57,280
At 30 June 2017	3,667	328,194	(1,036)	1,652	27,871	356,681	360,348

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Net cash used in from operating activities	(22,298)	(63,992)
Investing activities		
Other interest received	24,133	–
Payment for acquisition of property, plant and equipment	–	(30)
Refunds from construction costs of land under development	43,000	–
Net cash generated from/(used in) investing activities	67,133	(30)
Financing activities		
Proceeds from bank and other borrowings	10,000	675,000
Repayment of other borrowing	(41,900)	(1,316)
Interest paid	(31,115)	(8,294)
Net cash (used in)/generated from financing activities	(63,015)	665,390
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(18,180)	601,368
Cash and cash equivalents at beginning of the period	25,341	6,407
Effect of foreign exchange rate changes	–	(46)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY CASH AND BANK BALANCES	7,161	607,729

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 2017.

Going concern basis

At 30 June 2018, the Group’s current liabilities exceeded current assets by approximately RMB60,025,000. This condition indicates the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, may not be able to realise its assets and discharge its liabilities in the normal course of business in the next twelve months after the date of approval for the interim condensed consolidated financial statements.

1. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

Notwithstanding the aforesaid conditions, the interim condensed consolidated financial statements have been prepared by the directors of the Company on the assumption that the Group will be able to operate as a going concern in the foreseeable future, after taking into consideration of:

- (a) continuing financial support from the ultimate controlling party of the Company, Mr. Chen Jun who has provided an irrevocable undertaking to the Group by providing adequate funds to the Group to enable it to meet its debts as and when they fall due and to carry on its business as a going concern in the foreseeable future; and
- (b) additional new credit facilities being currently in serious discussions between the Group and certain financial institutions.

The directors of the Company have prepared a cash flow forecast of the Group for a period covered not less than twelve months from the date of approval of the interim condensed consolidated financial statements. Based on the forecast which has taken into account of the Group's above measures taken to date, the directors of the Company are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval of the interim condensed consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and the future capital expenditure requirements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements for the period ended 30 June 2018 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would be made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The interim condensed consolidated financial statements have not incorporated any of these adjustments.

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 2017, 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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In the current interim period, the Group has applied for the first time, the new and amendments to HKFRSs which are mandatory and effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements. The adoption of these HKFRSs has no significant impact on the Group's results and financial position.

The Group has not applied any new and revised HKFRSs that are not yet effective for the current accounting period.

2. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's revenue represents the rental income from investment properties, revenue from provision of financial services, and sales value of goods supplied to customers, net of value-added tax and/or sales tax and less sales discounts and returns.

(b) Business segments

During the Reporting Period, the Group was principally engaged in the following three (2017: two) major business segments.

- (i) Property segment: 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, all of the Group's investment properties are located in the PRC.
- (ii) Financial services segment: provision of services in connection with financing and procurement arrangements in the PRC.
- (iii) Trading segment: sale of intelligent electronic products and modern office furniture products in the PRC, which has insignificant contribution to the Group's revenue, results, cashflows, assets and liabilities during the current year.

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Business segments *(Continued)*

Business segments for the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue		
Trading	–	–
Property	20,027	19,804
Financial services	3,846	–
	23,873	19,804
Segment results		
Trading	–	–
Property	41,238	100,704
Financial services	3,846	–
	45,084	100,704
Unallocated other operating income	77	315
Unallocated corporate expenses	(119)	(3,495)
Finance cost	(31,115)	(8,294)
Profit before income tax expenses	13,927	89,230
Income tax expenses	–	(34,255)
Profit for the period	13,927	54,975

(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 REVENUE, INCOME AND OTHER NET GAINS/LOSSES

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Interest income from loan receivables (Note)	24,133	–
Interest income on bank deposits	177	14
Sundry income	1	301
	24,311	315

Note:

This represented the interest accrued on a back-to-back long-term loan of RMB600,000,000 receivable from an independent third party gas operator under the arrangements. The interest expense of RMB24,133,000 accrued on the back-to-back loan of RMB600,000,000 payable to a trust scheme was included in the finance costs below.

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Finance cost	31,115	8,294
Depreciation of property, plant and equipment	156	104

5. INCOME TAX

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current Tax	–	–
Deferred Tax	–	(34,255)
	–	(34,255)

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 2017: 25%).

6. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2017: 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 2018 of approximately RMB13,927,000 (six months ended 30 June 2017: profit of approximately RMB54,975,000) and weighted average number of Shares issued as at 30 June 2018 of 410,209,122 (30 June 2017: 410,209,122).

There were no dilutive potential Shares as at 30 June 2018 and 30 June 2017, and diluted earning per share is the same as basic earning per share.

8. INVESTMENT PROPERTIES

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Investment properties, at fair value	790,900	790,900

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.

No fair value adjustment was considered necessary by the directors of the Company for the six months ended 30 June 2018. The investment properties are pledged to banks and other financial institutions for bank and other borrowings of the Group, as further detailed in note 12.

9. PREPAYMENT FOR CONSTRUCTION COST

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Prepayment for construction cost (note)	–	45,000

Note:

On 17 December 2017, the Group entered into a construction agreement with an independent third-party contractor to carry out construction works in relation to the land held as investment property under development (note 8) at a total consideration of RMB150,000,000. As at 31 December 2017, the construction work has not yet been started and a prepayment of RMB45,000,000 was paid to the contractor in accordance with the terms of the construction agreement.

The Shanghai Cooperation Organization (SCO) Summit was scheduled for June 2018 in Qingdao, Shandong province of China. Due to the Summit, the Government of Qingdao was restricting all the constructions in Qingdao. The Group and the contractor agreed to cease the construction project and cancel the signed agreement in the current period. The prepayment for construction cost of RMB43,000,000 was refunded in May 2018 and the remaining RMB2,000,000 was classified as other receivable as at 30 June 2018.

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables of RMB69,426,000 (31 December 2017: RMB27,237,000) include trade receivables of RMB21,955,000 (31 December 2017: RMB1,813,000).

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

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 2018 RMB'000	Audited 31 December 2017 RMB'000
0-30 days	4	1,813
31-60 days	3	-
61-90 days	-	-
91-180 days	20,135	-
181-365 days	1,813	-
Over 365 days	-	-
	21,955	1,813

11. TRADE AND OTHER PAYABLES

Trade and other payables of RMB45,996,000 (31 December 2017: RMB39,442,000) include trade payables of RMB2,567,000 (31 December 2017: RMB2,564,000).

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
0-30 days	–	–
31-60 days	2	–
61-90 days	–	–
91-180 days	–	–
181-365 days	–	152
Over 365 days	2,565	2,412
	2,567	2,564

12. BANK AND OTHER BORROWINGS

As at 30 June 2018, the Group had bank and other borrowings as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Secured bank borrowings	198,550	200,450
Secured borrowings from an other financial institution	10,000	40,000
Secured borrowing from a trust scheme	600,000	600,000
	808,550	840,450

12. BANK AND OTHER BORROWINGS *(Continued)*

As at 30 June 2018, interest-bearing bank and other borrowings due for repayment were as follows:

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Carrying amounts repayable:		
Within 1 year	74,300	104,300
After 1 year but within 2 years	205,500	133,500
After 2 years but within 5 years	524,700	597,700
After 5 years	4,050	4,950
	808,550	840,450
Less: Current portion	(74,300)	(104,300)
Non-current portion	734,250	736,150

As at 30 June 2018, bank and other borrowings were interest bearing at 4.75% to 11% (2017: 4.35% to 9.0%) per annum.

A bank borrowing of RMB13,050,000 (2017: RMB13,950,000) was secured by certain investment properties (note 8), leasehold land and buildings held under operating lease. Bank borrowings of RMB185,500,000 (2017: RMB186,500,000) were secured by certain investment properties (note 8) or/and guaranteed by Mr. Chen Jun, the ultimate controlling party of the Company.

Borrowings of RMB600,000,000 (2017: RMB600,000,000) payable to a trust scheme and RMB10,000,000 (2017: RMB40,000,000) payable to an other financial institution have been secured by certain of the Group's investment properties (note 8) and personal guarantee of Mr. Chen Jun, the ultimate controlling party of the Company, and his spouse. Borrowing of RMB600,000,000 payable to the trust scheme is bearing interest at the rate of 8% per annum, repayable by instalments of RMB120,000,000, RMB120,000,000 and RMB360,000,000 due on 28 June 2020, 2021 and 2022, respectively, and secured by a corporate guarantee of Ruiding which contributed RMB120,000,000 to the trust scheme, which in turn lent the entire loan proceed of RMB600,000,000, through Qingdao Zhongtian, back to Ruiding.

13. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2018 (Unaudited) '000	31 December 2017 (Audited) '000	30 June 2018 (Unaudited) RMB'000	31 December 2017 (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 2018/2017 and 30 June 2018/ 31 December 2017	410,209	410,209	3,667	3,667

14. COMMITMENTS

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Authorised but not contracted for (note (a))	33,038	33,038
Contracted but not provided for (note (b))	2,917	107,917

Note:

- As at 30 June 2018 and 31 December 2017, the Group had authorised but not contracted for capital commitments for construction costs relating to the land held as investment property under development.
- As at 31 December 2017, contracted but not provided for capital commitment included an amount RMB150,000,000 which is the outstanding amount under a construction agreement entered into between the Group and an independent third-party contractor for the development of the land held as investment property for development. During the period ended 30 June 2018, the construction was ceased due to the Summit described in note 9.

15. EVENTS AFTER THE REPORTING PERIOD

Based on the analysis of current financial status of the Group by the Board, Qingdao Zhongtian (a subsidiary of the Company) may not complete the development of the land located at No. 877 Huihai Road, Chengyang District, Qingdao, Shandong Province, the People's Republic of China with a site area of approximately 91,165 sq.m. (the "Relevant Land") by 14 October 2018, which may possibly result in its breach of the agreement entered into with Qingdao Municipal State-owned Land Resources and Housing Management Bureau on 3 November 2015 and consequently a payment of liquidated damages for such a breach. The Group is trying to avoid the above-mentioned breach and consequent loss of the Company by various means, such as discussing with Qingdao Municipal State-owned Land Resources and Housing Management Bureau on possible extension of the deadline and waiver of the liquidated damages, seeking external financing, considering sale of the Relevant Land, etc. Details of the information are referred to in the announcement of the Company dated 24 August 2018.

The directors of the Company are of the opinion that the negotiation with the counterparty is ongoing and the Group is unable to evaluate the likely outcome of the actions, as the outflow of resources embodying economic benefits of the actions and the amount of the obligation cannot be reliably estimated. Accordingly, no provision is considered necessary.

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 28 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Reporting Period, the Group was principally engaged in three business segments, namely trading, financial service 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, this segment did not contribute revenue in the Reporting Period.

Financial Service

On 17 July 2017, Qingdao Zhongtian Enterprise Development Co., Ltd. ("Qingdao Zhongtian"), an indirect wholly-owned subsidiary of the Company, entered into a construction and procurement agreement with Qingdao Ruiding Energy Co., Ltd.* (青島瑞鼎能源有限公司) ("Ruiding") and Qingdao Ruikangjie New Energy Material Co., Ltd.* (青島瑞康捷新能源材料有限公司) ("Ruikangjie"), two independent third parties. Pursuant to the aforesaid agreement, as clarified by a supplemental agreement between Qingdao Zhongtian and Ruiding on 26 March 2018, Qingdao Zhongtian was appointed by Ruiding to provide financing services, for a period of 10 years, and to obtain a loan facility of RMB600,000,000 from a designated trust scheme for the purpose of financing the purchase consideration of materials and equipments, to be supplied by Ruikangjie, for construction of Ruiding's Natural Gas Project located in Qingdao. Under the aforesaid agreements, Ruiding shall bear all the obligations for the repayment of the loan principal, together with the interests accruing thereon, through Qingdao Zhongtian, to the trust scheme on 31 May 2020, 31 May 2021 and 31 May 2022, with each payment being not less than RMB200,000,000. This business segment is expected to contribute a stable long-term revenue to 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 2018, the details of the investment properties of the Group are as follows:

(a) Completed Properties

All the commercial and office units in the composite building located at the Laoshan District, Qingdao City, the PRC, have been leased out. Tenancy agreements entered into between tenants and the Group are 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. Tenancy agreements entered into between the tenants and the Group are 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. 66% and 34% of its gross floor area are planned 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 RMB23,873,000, representing an increase of approximately 21% from approximately RMB19,804,000 for the corresponding period in 2017. This was mainly attributable to the increase in rental income from the property segment and income from the new financial services segment.

Other Income and Other Net Gains

The Group's other income and other net gains for the Reporting Period were approximately RMB24,311,000 (corresponding period in 2017: RMB315,000), representing an increase of approximately 77 times as compared to the corresponding period in 2017. This was mainly attributable to interest income from loan receivable generated from the new financial service segment.

Selling and 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 2018 (six months ended 30 June 2017: Nil).

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately RMB3,142,000 (corresponding period ended 30 June 2017: approximately RMB3,495,000), representing a decrease of approximately 10% over the corresponding period ended 30 June 2017. This was mainly attributable to the decrease in the travel expenses and professional fees in the six months ended 30 June 2018.

Net Profit

During the Reporting Period, the Group recorded a net profit of approximately RMB13,927,000 representing a decrease of approximately 75% from the net profit of approximately RMB54,875,000 for the corresponding period ended 30 June 2017. The decrease was mainly attributable to no fair value gain of investment properties in the reporting period while fair value gain of approximately RMB80,900,000 was generated during the corresponding period ended 30 June 2017.

BUSINESS REVIEW

Analysis by Business Segment

During the Reporting Period, the Group's principal source of income was derived from the property segment, which accounted for approximately 83.9% of the total turnover of the Group and the financial service segment contributed the remaining 16.1%. 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 and cannot contribute income to the Group.

As China has invested a substantial amount of funding in the innovation and research and development of clean energy, China has become the largest producer 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 under the new financial services segment and is prepared to occupy market share leveraging on its own advantages and in response to its development demand.

DEBTS

As at 30 June 2018, the Group had secured bank and other borrowings of approximately RMB808,550,000 (31 December 2017: approximately RMB840,450,000).

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 2018, the Group had cash and bank balances of approximately RMB7,161,000 (31 December 2017: approximately RMB25,341,000) all of which was held in Renminbi. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was approximately 202.2% (31 December 2017: approximately 217.6%).

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.

MATERIAL 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 2018, leasehold land with carrying amount of approximately RMB3,513,000 (31 December 2017: RMB3,550,000), building with carrying amount of approximately RMB4,472,000 (31 December 2017: RMB4,519,000), and the investment properties with fair value of approximately RMB790,900,000 (31 December 2017: RMB790,900,000) and the entire paid-up capital of Qingdao Zhongtian Enterprise Development Company Limited are pledged for bank and other borrowings of the Group.

Save as disclosed above, the Group had no other material charge on assets and contingent liabilities as at 30 June 2018.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had 26 employees (31 December 2017: 27). 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 RMB1,216,000 (six months ended 30 June 2017: approximately RMB939,000).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 15 of condensed financial statement of the Group for the Reporting Period set out in this report, there was no other material subsequent event of the Group 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 2017: 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. Cui Haitao (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, the interim 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 three independent non-executive Directors, namely Ms. Chan Chak Kwan, Mr. LIU Jin Lu and Mr. Cui Haitao, and one executive Director, namely Mr. Chen Dezhao. Mr. LIU Jin Lu 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. Cui Haitao 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, interests or short positions in the shares of the Company (the “Shares”), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long position in Shares

Name of Directors	Capacity	Number of Shares interested/held	Approximate percentage of Shareholding
Chen Jun	Beneficial owner	5,525,000	1.35%
	Interest of a controlled corporation (Note 1)	108,042,781	26.34%
	Interest of a controlled corporation (Note 2)	124,000,000	30.23%

Notes:

- (1) Fine Mean Investments Limited is wholly-owned by Mr. Chen Jun, and held 108,042,781 Shares as beneficial owner as at 30 June 2018. Mr. Chen Jun is the sole director of Fine Mean Investments Limited. As such, Mr. Chen Jun is deemed, or taken to be, interested in all the Shares held by Fine Mean Investments Limited for the purposes of the SFO.
- (2) Vast Yield Holdings Limited is wholly-owned by Mr. Chen Jun, and held 124,000,000 Shares as beneficial owner as at 30 June 2018. Mr. Chen Jun is the sole director of Vast Yield Holdings Limited. As such, Mr. Chen Jun is deemed, or taken to be, interested in all the Shares held by Vast Yield Holdings Limited for the purposes of the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Long position in Shares and underlying Shares of the Company

Name of substantial Shareholder	Capacity	Number of Shares interested/held	Approximate shareholding percentage
Fine Mean Investments Limited	Beneficial owner	108,042,781	26.34%
Vast Yield Holdings Limited	Beneficial owner	124,000,000	30.23%
Ms. Su Haiqing (Note 1)	Interest of spouse	237,567,781	57.91%
Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) (Note 2)	Security interest	232,042,781	56.57%
Zhongtai International Asset Management Limited (Note 3)	Security interest	232,042,781	56.57%

Notes:

- (1) 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 Shares in which Mr. Chen Jun has, or is deemed to have, an interest for the purpose of the SFO.
- (2) According to the disclosure of interest notice filed by Qilu International Funds SPC (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) on 23 January 2018, it had a security interest of 232,042,781 Shares.
- (3) According to the disclosure of interest notice filed by Zhongtai International Asset Management Limited on 23 January 2018, it had a security interest of 232,042,781 Shares.

Save as disclosed above, as at 30 June 2018, 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
28 August 2018

* *for identification purposes only*