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CHINA CHENGTONG DEVELOPMENT GROUP LIMITED

中國誠通發展集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 217)

ANNOUNCEMENT OF 2012 FINAL RESULTS

The board (the "Board") of directors (the "Directors") of China Chengtong Development Group Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 together with the comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011
	Notes	*HK$'000*	*HK$'000*
Turnover	3	**8,626,661**	419,483
Cost of sales		**(8,444,597)**	(358,907)
Gross profit		**182,064**	60,576
Other income	4	**149,765**	34,680
Selling expenses		**(12,824)**	(7,189)
Administrative expenses		**(100,625)**	(42,139)
Fair value gain on investment properties		**10,455**	17,004
Fair value gain upon properties held for sale transferred to investment properties		**4,790**	20,701
Fair value loss on held-for-trading securities		**(181)**	(195)
Gain on disposal of a subsidiary		**—**	18,660
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries		**122,234**	—

CONSOLIDATED INCOME STATEMENT *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Finance costs	5	**(103,415)**	(26,290)
Profit before income tax		**252,263**	75,808
Income tax expense	6	**(43,127)**	(27,589)
Profit for the year	7	**209,136**	48,219
Profit for the year attributable to:			
Owners of the Company		**184,526**	36,381
Non-controlling interests		**24,610**	11,838
		209,136	48,219
Earnings per share			
— Basic	9	**HK4.41 cents**	HK0.87 cent
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**209,136**	48,219
Other comprehensive income		
Exchange differences arising during the year	**10,631**	53,106
Total comprehensive income for the year	**219,767**	101,325
Total comprehensive income attributable to		
Owners of the Company	**193,532**	84,073
Non-controlling interests	**26,235**	17,252
	219,767	101,325

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**145,752**	8,400
Prepaid land lease payments		**54,866**	—
Investment properties		**175,558**	237,741
Loans receivable under finance lease arrangements	11	**—**	11,139
Deposits paid	12	**338,850**	—
		715,026	257,280
Current assets			
Properties held for sale		**162,371**	152,533
Properties under development		**218,295**	251,427
Properties held for development		**303,601**	301,133
Inventories		**19,528**	74,896
Trade and other receivables	10	**6,504,106**	761,363
Loans receivable under finance lease arrangements	11	**12,552**	11,665
Amount due from a non-controlling shareholder of a subsidiary		**18,450**	18,567
Prepaid land lease payments		**1,960**	—
Entrusted loan receivables	13	**649,219**	113,714
Held-for-trading securities		**1,101**	1,281
Derivative financial instruments		**2,521**	—
Short-term investments	14	**104,550**	328,404
Restricted bank balance		**—**	4,200
Pledged bank deposits		**355,895**	—
Bank balances and cash		**1,973,076**	948,829
		10,327,225	2,968,012
Non-current assets classified as held for sale		**83,320**	—
Total current assets		**10,410,545**	2,968,012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

AS AT 31 DECEMBER 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Current liabilities			
Trade and other payables	15	**2,943,433**	144,189
Deposits received from sale of properties		**21,051**	14,573
Deposit received from disposal of an investment property		**94,095**	—
Taxation payable		**21,474**	9,904
Bank borrowings	16	**5,194,634**	643,937
Unsecured other loans		**600**	600
Loan from a non-controlling shareholder of a subsidiary		**—**	549
Total current liabilities		**8,275,287**	813,752
Net current assets		**2,135,258**	2,154,260
Total assets less current liabilities		**2,850,284**	2,411,540
Non-current liabilities			
Deferred tax liabilities		**47,327**	12,953
Corporate bonds	17	**731,984**	721,845
		779,311	734,798
Net assets		**2,070,973**	1,676,742
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**484,074**	416,346
Share premium and reserves		**1,357,915**	1,057,647
		1,841,989	1,473,993
Non-controlling interests		**228,984**	202,749
Total equity		**2,070,973**	1,676,742

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

2. ADOPTION OF HKFRSs

Adoption of new and revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 1	Severe Hyper and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosure — Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

Other than as noted below, the application of the new HKFRSs has no material impact on the Group's reported profits or loss, total comprehensive income or equity for any year presented.

2. ADOPTION OF HKFRSs *(continued)*

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity's future cash flows.

The Group has discounted certain of its trade debts with recourse. As the Group retained the significant risks and rewards of ownership of the discounted trade debts, the transfer transactions did not meet the requirements of HKAS 39 for de-recognition. The trade debts remained as the Group's financial assets with the cash received being recognised as asset-backed borrowings. The financial statements for the current period include additional disclosures describing the nature of the relationship between the discounted trade debts and the associated financial liabilities, including restrictions on the Group's use of the debts arising from the discounting arrangements. In accordance with the transition requirements of the amendments, the disclosures for the comparative period have not been amended.

New / revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
Amendments to HKFRS 1	Governments loans[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[3]

2. ADOPTION OF HKFRSs *(continued)*

New / revised HKFRSs that have been issued but are not yet effective *(continued)*

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HKFRSs *(continued)*

HKFRS 10 — Consolidation Financial Statements

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

HKFRS 13 — Fair Value Measurement

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

2. ADOPTION OF HKFRSs *(continued)*

HKFRS 13 — Fair Value Measurement *(continued)*

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Except for the above, the directors of the Company anticipate that the application of the other new/revised HKFRSs will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

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

The Group's chief operating decision makers have identified the reportable segments of the Group as follows:

(1) Property development — holding land for property development projects

(2) Property investment — providing rental services and holding investment properties for appreciation

(3) Financial leasing — providing financial leasing service including arranging sales and leaseback transaction

(4) Trading of coal — trading of coal

(5) Bulk commodity trade — trading of bulk commodity

(6) Hotel and marine travelling services — providing hotel and marine travelling services

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2012

	Property investment *HK$'000*	Property development *HK$'000*	Financial leasing *HK$'000*	Trading of coal *HK$'000*	Bulk commodity trade *HK$'000*	Hotel and marine travelling services *HK$'000*	Total *HK$'000*
Turnover as presented in consolidated income statement	2,156	83,158	11,420	—	8,527,224	2,703	8,626,661
Result							
Segment result *(Note (a))*	(6,507)	14,166	13,474	(14,553)	88,869	1,847	97,296
Fair value gain on investment properties *(Note (b))*							10,455
Fair value gain upon properties held for sale transferred to investment properties *(Note (b))*							4,790
Fair value loss on held-for-trading securities							(181)
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries							122,234
Interest income from entrusted loan receivables							79,468
Unallocated finance costs							(37,327)
Unallocated corporate expenses							(29,659)
Unallocated other income							5,187
Profit before income tax							252,263

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2012 (continued)

	Property investment HK$'000	Property development HK$'000	Financial leasing HK$'000	Trading of coal HK$'000	Bulk commodity trade HK$'000	Hotel and marine travelling services HK$'000	Unallocated HK$'000	Total HK$'000
Notes:								
(a) Amounts included in the measure of segment results								
Interest income from bank deposits and short-term investments	6,083	588	5,950	267	29,683	1	1,460	44,032
Depreciation	(273)	(376)	(179)	(7)	(451)	–	(42)	(1,328)
Allowance for impairment of coal	–	–	–	(5,476)	–	–	–	(5,476)
Finance costs	–	–	–	–	(66,088)	–	(37,327)	(103,415)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance								
Fair value gain on investment properties	10,455	–	–	–	–	–	–	10,455
Fair value gain upon properties held for sale transferred to investment properties	4,790	–	–	–	–	–	–	4,790

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2011

	Property investment	Property development	Financial leasing	Trading of coal	Bulk commodity trade	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover as presented in consolidated income statement	4,478	102,001	8,278	278,690	26,036	419,483
Result						
Segment result *(Note (a))*	909	1,887	11,332	8,395	25,929	48,452
Fair value gain on investment properties *(Note (b))*						17,004
Fair value gain upon properties held for sale transferred to investment properties *(Note (b))*						20,701
Gain on disposal of a subsidiary *(Note (b))*						18,660
Interest income from entrusted loan receivables						5,210
Fair value loss on held-for-trading securities						(195)
Unallocated finance cost						(22,593)
Unallocated corporate expenses						(13,483)
Unallocated other income						2,052
Profit before income tax						75,808

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2011 (continued)

	Property investment *HK$'000*	Property development *HK$'000*	Financial leasing *HK$'000*	Trading of coal *HK$'000*	Bulk commodity trade *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Notes							
(a) Amounts included in the measure of segment results							
Interest income from bank deposits and short-term investments	11,509	746	6,537	257	25	1,663	20,737
Depreciation	(534)	(422)	(128)	(3)	(6)	(19)	(1,112)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value gain on investment properties	17,004	—	—	—	—	—	17,004
Fair value gain upon properties held for sale transferred to investment properties	20,701	—	—	—	—	—	20,701
Gain on disposal of a subsidiary	18,660	—	—	—	—	—	18,660

Segment result does not include taxation credit/charge, while segment liabilities include the current and deferred taxation except for those recognised by the head office and the inactive subsidiaries.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of administration costs incurred and other income generated by head office and the inactive subsidiaries, directors' salaries, gain on disposal of subsidiaries and fair value change of investment properties and held-for-trading securities and finance cost of corporate bonds. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION *(continued)*

Other segment information

The Group's significant operations, external customers and non-current assets (other than financial assets) during the year ended 31 December 2012 and 2011 were located in Hong Kong (place of domicile) and the People's Republic of China ("the PRC"). Geographical information of revenue from external customers is based on the location of the customers and the geographical location of the non-current assets (other than financial assets) is based on the physical location of the assets.

	Revenue from external customers		Non-current assets (other than financial assets)	
	2012	2011	**2012**	*2011*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**3,988,911**	26,036	**763**	729
The PRC	**4,637,750**	393,447	**375,413**	245,412
	8,626,661	419,483	**376,176**	246,141

Revenues from customers of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A *(note 1)*	**—**	136,953
Customer B *(note 1)*	**—**	61,103
Customer C *(note 2)*	**2,950,630**	23,174
Customer D *(note 3)*	**4,148,114**	—
	7,098,744	221,230

Notes:

1. These represented revenue from trading of coal for the year ended 31 December 2011 and no revenue from these customers was recognised for the year ended 31 December 2012.

2. This is a customer for bulk commodity trade business (2011: revenue from this customer contributed less than 10% of the total turnover of the Group).

3. This is a customer for bulk commodity trade business and there was no revenue from this customer for the year ended 31 December 2011.

3. SEGMENT INFORMATION *(continued)*

Turnover from major products and services

	2012	2011
	HK$'000	*HK$'000*
Rental income	**2,156**	4,478
Sales of properties	**83,158**	102,001
Service income from financial leasing*	**11,420**	8,278
Sales of coal	**—**	278,690
Bulk commodity trade	**8,527,224**	26,036
Hotel and marine travelling services	**2,703**	—
	8,626,661	419,483

* Service income from financial leasing included interest income from leasing arrangement and handling income. When a finance lease receivable is factored to a bank under a non-recourse arrangement, the handling income charged by the Group is recognised immediately and included in service income from financial leasing. Amount of HK$7,199,000 (2011: Nil) was included in the service income from financial leasing for the year ended 31 December 2012.

4. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Interest income from bank deposits and short-term investments	**44,032**	20,737
Interest income from entrusted loan receivables	**79,468**	5,210
Interest income from China Chengtong Hong Kong Company Limited ("CCHK"), an intermediate holding company of the Company *(Note)*	**—**	350
Interest income from a fellow subsidiary *(Note)*	**—**	462
Interest income from a non-controlling shareholder of a subsidiary	**3,396**	—
Commission income from procurement services related to coal trading and arranging bulk commodity trade	**6,050**	3,377
Fair value gain on derivative financial instruments	**2,521**	2,086
Investment income on derivative financial instruments	**2,964**	—
Others	**4,689**	1,419
Overdue charges under finance lease arrangements	**2,732**	1,039
Written back of accruals and other payables	**3,913**	—
	149,765	34,680

Note: In July 2011, the Group arranged two short-term loans to (i) CCHK of HK$35,000,000 at an interest rate of 12% per annum and (ii) a fellow subsidiary of RMB35,000,000 (equivalent to approximately HK$42,000,000) at an interest rate of 13.2% per annum. These loans together with interest were fully repaid in August 2011.

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on corporate bonds	**37,327**	22,593
Interest on bank and other borrowings wholly repayable within five years	**8,120**	3,835
Interest on discounted bills	**62,081**	3,697
	107,528	30,125
Less: Amounts capitalised to properties under development	**(4,113)**	(3,835)
	103,415	26,290

6. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax ("EIT") and Implementation Regulation, the PRC subsidiaries are subject to tax rate of 25% from 1 January 2008 onwards. The current tax also comprised land appreciation tax ("LAT") which is estimated in accordance with the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	2012	2011
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong	**14,768**	3,698
PRC EIT	**23,116**	12,341
PRC LAT	**149**	712
	38,033	16,751
Under-provision in prior years:		
PRC EIT	**190**	37
Deferred taxation		
Current year charge	**4,904**	10,801
Taxation charge for the year	**43,127**	27,589

7. PROFIT FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration	**700**	1,000
Depreciation of property, plant and equipment	**1,464**	1,252
Less: Amounts capitalised in properties under development	**(136)**	(140)
	1,328	1,112
Minimum lease payments in respect of rented premises	**4,452**	3,075
Contributions to retirement benefits schemes (including directors' emoluments)	**1,509**	1,007
Staff costs (including directors' emoluments)	**26,576**	13,703
Total staff costs	**28,085**	14,710
Less: Amounts capitalised in properties under development	**(1,622)**	(1,528)
	26,463	13,182
Cost of inventories recognised as expenses	**8,439,121**	356,668
Exchange loss	**6,445**	1,138
Provision for inventories *	**5,476**	—
Loss on disposal of property, plant and equipment	**93**	—

* Provision for inventories for the year was included in "cost of sales" on the face of the consolidated income statement.

8. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2011 Interim and Final — Nil (2011: HK0.7 cent per share for 2010 final dividend)	**—**	29,214

8. DIVIDENDS *(continued)*

During the year ended 31 December 2011, a final dividend of HK0.7 cent per share totalled HK$29,214,000 in respect of the year ended 31 December 2010 was declared and paid to the owners of the Company.

No dividend in respect of the year ended 31 December 2012 and 2011 was proposed during the year ended 31 December 2012 and 2011, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK$184,526,000 (2011: HK$36,381,000) attributable to the owners of the Company and on the weighted average number of 4,183,807,713 (2011: 4,170,974,917) ordinary shares in issue during the year.

There are no diluted earnings per share as there were no potential dilutive ordinary shares outstanding during both years.

10. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**455,316**	83,794
Bill receivables from bulk commodity trade *(note (b))*	**6,004,050**	611,423
Trade and bill receivables	**6,459,366**	695,217
Prepayments and deposits	**6,127**	63,522
Other receivables	**38,613**	2,624
Total trade and other receivables	**6,504,106**	761,363

Notes:

(a) Trade and bill receivables mainly arose from sales of coal and bulk commodity trade. Bulk commodity trading mainly settled by cash or bills issued by PRC banks which are receivable in 1 year (2011: 3 months to 1 year) from the date of issuance. There is a 7 days (2011: No credit period granted) and a 2 to 15 days (2011: No credit period granted) credit period granted to certain customers of coal trading business and bulk commodity trade business respectively. The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

10. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

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

	2012	2011
	HK$'000	*HK$'000*
Within three months	**455,316**	83,794

The following is an aged analysis of trade receivables presented which are past due but not impaired.

	2012	2011
	HK$'000	*HK$'000*
Less than one month past due	**—**	83,794
One to two months past due	**455,316**	—
	455,316	83,794

As at 31 December 2012, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$455,316,000 (2011: HK$83,794,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the directors are of the view that such receivables can be fully recovered. The Group does not hold any collateral over these balances.

(b) Bills receivables represent banker's acceptances, i.e. time drafts accepted and guaranteed for payment by PRC banks. The Group accepts the settlement of trade receivables by customers using banker's acceptances issued by banks.

These banker's acceptances are issued to the Group and are due within 1 year (2011: 3 months to 1 year) from the date of issuance. Those banks issuing the banker's acceptances, which are state-owned banks or commercial banks in the PRC, are the primary obligors for payment on the due date of such banker's acceptances.

At 31 December 2012 HK$4,919,862,000 (2011: HK$611,423,000) of the bills receivables have been discounted to the banks with recourse. The Group is committed to underwrite any of the bills receivables that have been discounted and therefore continues to recognise these as bills receivables until the debtors repay. The proceeds from bills receivables that have been discounted to banks of HK$4,841,842,000 (2011: HK$595,137,000) are included in bank borrowings (see note 16) until the debts are collected or the Group makes good any losses suffered by the bank.

11. LOANS RECEIVABLE UNDER FINANCE LEASE ARRANGEMENTS

The Group entered into a finance lease agreement pursuant to which a financial leasing customer (the "lessee") sold its equipment to the Group at RMB27,180,000 (equivalent to approximately HK$33,431,000) (2011:RMB27,180,000 (equivalent to approximately HK$29,340,000)) and leased back the equipment with the lease period of 3 years from the date of inception. The interest rate inherent in the lease is variable based on the benchmark rate offered by the People's Bank of China for the year ended 31 December 2012 and 2011. In addition, the ownership of leased assets will be transferred to the lessee at a purchase option of RMB100 upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

	Minimum lease payments		**Present value of minimum lease payments**	
	2012	2011	**2012**	*2011*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise amounts receivable:				
Within one year	**13,483**	14,826	**12,552**	11,665
In more than one year but not exceeding two years	**—**	12,131	**—**	11,139
	13,483	26,957	**12,552**	22,804
Less: Unearned finance income	**(931)**	(4,153)	**—**	—
Present value of minimum lease payment receivables	**12,552**	22,804	**12,552**	22,804

	Present value of minimum lease payments	
	2012	*2011*
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	**12,552**	11,665
Non-current assets	**—**	11,139
	12,552	22,804

Effective interest rates ranged from approximately 8.81% to 16.19% (2011:9.38% to 17.32%) per annum.

11. LOANS RECEIVABLE UNDER FINANCE LEASE ARRANGEMENTS *(continued)*

The receivable under finance lease arrangement is secured by the leased equipment and the Group has guarantees provided by controlling shareholder of the lessee and independent third parties. The Group is not permitted to sell or re-pledge the collateral in absence of default by the lessee. The lessee is required to pay the Group through 33 monthly lease payments from 27 February 2011 up to 27 October 2013.

The fair value of receivable under finance lease arrangement approximates to its carrying amount.

12. DEPOSITS PAID

	2012 ***HK$'000***	2011 *HK$'000*
Deposits paid for acquisition of 82% of the equity interests in Alpha Fortune Industrial Limited *(note (a))*	**325,950**	—
Deposit paid for acquisition of property, plant and equipment	**12,900**	—
	338,850	—

(a) On 13 August 2012, the Group entered into a framework agreement (the "Framework Agreement") with independent third parties (the "Vendors") in relation to the acquisition of 82% equity interests in Alpha Fortune Industrial Limited ("Alpha Fortune") at the aggregate considerations of RMB615,000,000 (equivalent to approximately HK$750,300,000). Alpha Fortune indirectly owns 60% of the equity interests in 廣西合山煤業有限責任公司 (the "Coal Mine Company") and its subsidiaries which principally engage in exploration and mining of coal mines resources in the PRC. The proposed acquisition of 82% equity interests in Alpha Fortune (the "Acquisition") constituted a very substantial acquisition under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As of 31 December 2012, the Group had paid cash of HK$325,950,000 to the Vendors as earnest money and advance payment (collectively the "Deposits") pursuant to the payment schedule as specified in the Framework Agreement.

Pursuant to the Framework Agreement, if the Vendors or each member of Alpha Fortune and its subsidiaries (collectively referred to as the "Target Group") breach the undertakings, warranties and exclusivity clauses of the Framework Agreement or the parties to the Framework Agreement are unable to enter into a formal sale and purchase agreement on or before 8 February 2013, the Group is entitled to terminate the Framework Agreement. Upon termination of the Framework Agreement, the Deposits paid to the Vendors shall be fully refundable to the Group.

12. DEPOSITS PAID *(continued)*

To secure the performance of the refund obligations of the Vendors, the Vendors have (i) unconditionally pledged 49% of the equity interest in the Coal Mine Company in favour of the Group as security and (ii) provided joint and several guarantee in favour of the Group to secure the performance of the refund obligations of the Vendors as described above.

The Group has commenced thorough due diligence review on the assets, financial and legal aspects etc. of the Target Group upon signing of the Framework Agreement. Given that the difference between the net asset value of the Coal Mine Company as at 31 December 2011 as represented by the Vendors in the Framework Agreement and the results of the due diligence review on the Target Group up to the 6 February 2013 did not comply with the relevant terms of the Framework Agreement, the Group decided to terminate the Framework Agreement in accordance with the aforementioned termination clause of the Framework Agreement. A written notice of termination has been served by the Group to the Vendors on 6 February 2013.

The Group will negotiate with the Vendors regarding (i) the refund of the Deposits; and (ii) a new proposal for the Acquisition. It is the Company's intention not to proceed with any further negotiation regarding the Acquisition should the Group and the Vendors fail to agree on a new proposal for the Acquisition on or before 31 May 2013.

Details in relation to the Framework Agreement and the termination of the Framework Agreement are set out in the Company's announcements dated 21 August 2012 and 6 February 2013 respectively.

The directors consider that the termination of the Framework Agreement will not have any material adverse impact on the existing business, operations and financial position of the Group, and opine that the Deposits will be fully recoverable by the Group.

13. ENTRUSTED LOAN RECEIVABLES

As at 31 December 2012, the Group had entered into five (2011: two) entrusted loan arrangements with financial institutions, in which the Group acted as the entrusting parties and the financial institutions acted as the lenders to provide funding to specified borrowers. Detail of entrusted loan receivables are as follows:

	2012	2011
	HK$'000	*HK$'000*
Entrusted loan receivables:		
Principal	**645,750**	109,800
Interest receivables	**3,469**	3,914
	649,219	113,714
Within one year	**649,219**	113,714

As at 31 December 2012, all entrusted loan receivables carry fixed-rate interest and the contractual maturity dates are within one year from the respective date of borrowing.

14. SHORT-TERM INVESTMENTS

During the year ended 31 December 2012, the Group purchased short-term investments from major banks in the PRC. Within the short-term investments as at 31 December 2012, balance of HK$92,250,000 was not subject to maturity and balance of HK$12,300,000 was subject to maturity up to January 2013. For those short-term investments not subject to maturity, the Group is entitled to redeem the investments with the banks at anytime with immediate effect. The estimated return from these short-term investments ranged from 2.1% to 2.8% per annum. The accrued and unpaid interest will be received upon redemption of the investment from the bank. The directors of the Company consider that the carrying value of short-term investments approximate their fair value at end of the reporting period as it is highly liquid and credit risk involved is insignificant.

15. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**11,905**	56,898
Other payables and accruals	**93,072**	27,119
Deposit received from a buyer on a partial disposal of a subsidiary *(note (b))*	**43,050**	12,200
Bills payable for purchase of bulk commodity	**2,755,038**	—
Accrual of construction costs	**40,368**	47,972
	2,943,433	144,189

Notes:

(a) The aged analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**8,800**	56,898
Over one year but less than two years	**3,105**	—
	11,905	56,898

15. TRADE AND OTHER PAYABLES *(continued)*

(b) On 19 December 2011, the Group entered into an agreement with an independent third party to dispose of 12% equity interest in a subsidiary, Chengtong Enterprise Investment Limited ("CT Enterprise") subject to the condition that the Group completed the reorganisation as detailed in the Company's announcement dated 20 December 2011.

Upon the completion of the reorganisation, CT Enterprise will hold indirectly 100% interest in 誠通實業投資有限公司 (unofficial translation as Chengtong Industrial Investment Limited "Chengtong Industrial"), 諸城鳳凰置地有限公司 (unofficial tranlation as Zhucheng Phoenix Landmark Company Limited) and 常州誠通投資有限公司 (unofficial translation as Changzhou Chengtong Investment Limited "Changzhou Chengtong"). Changzhou Chengtong is newly incorporated and remained inactive during years ended 31 December 2012 and 2011. As at 31 December 2012, the Group received deposits totalling RMB35,000,000 (equivalent to approximately HK$43,050,000) (2011: RMB10,000,000 (equivalent to approximately HK$12,200,000)) from the buyer. The transaction was not completed as at 31 December 2012.

On 28 February 2013, the Group entered into a cancellation agreement with the buyer to terminate the disposal of 12% interest in CT Enterprise by the Group. The Group will refund the deposit received from the buyer of RMB35,000,000 (equivalent to approximately HK$43,050,000) and pay fund usage charges of RMB3,200,000 (equivalent to approximately HK$3,900,000) to the buyer pursuant to the cancellation agreement. Details in relation to the cancellation agreement are set out in the Company's announcement dated 28 February 2013.

16. BANK BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Secured bank borrowings		
Discounted bills with recourse *(Note 10)*	**4,841,842**	595,137
Short-term bank loans	**352,792**	48,800
	5,194,634	643,937

The Group carried out bulk commodity trade business involving purchase and sale transactions. In order to monitor the credit risk, most sales are settled by bills issued by stated-owned banks or commercial banks in the PRC and are receivable in 1 year (2011: 3 months to 1 year) from the date of issuance. Most bill receivables have been discounted to banks with recourse to facilitate the operation of the bulk commodity trade. Accordingly, the Group continues to include these discounted bill receivables and has recognised the cash received as bank borrowings. Discounted bills with recourse are interest bearing at fixed rate with a range from 1.11% to 3.90% (2011: 2.03% to 3.40%) per annum. Total finance cost in relation to bulk commodity trade will be charged to profit or loss over the relevant period of the discounted bills with recourse amounted to HK$175,059,000 (2011: HK$16,559,000) and unamortised portion of finance cost in relation to these discounted bills as at 31 December 2012 amounting to HK$118,060,000 (2011: HK$15,476,000) will be charged to profit or loss in 2013. The interest rate is determined at the date of inception. All discounted bills with recourse are secured by bill receivables as at 31 December 2012.

16. BANK BORROWINGS *(continued)*

As at 31 December 2012, the short-term bank loans of HK$12,300,000 (2011: HK$48,800,000) are secured by the land use right included in property held for development amounting to approximately HK$109,470,000 (2011: HK$108,580,000) and carry interest of approximately 6.60% per annum (2011: carried interest rate at 7.216% per annum), which are 110% (2011: 110%) of the benchmark rate offered by the People's Bank of China. As at 31 December 2012, short-term bank loans of approximately HK$340,492,000 (At 31 December 2011: Nil) were secured by fixed bank deposits of approximately HK$353,171,000 (At 31 December 2011: Nil). All bank borrowings are repayable with one year and classified as current liabilities.

17. CORPORATE BONDS

As at 31 December 2012, the corporate bonds are fixed rate bonds issued by the Company (the "Bonds"). The Bonds were issued on 19 May 2011 with a principal amount of RMB600,000,000 and a fixed interest at 4.5% per annum.

	2012	2011
	HK$'000	*HK$'000*
Corporate bonds	**731,984**	721,845

The Bonds will mature on 19 May 2014 but may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption), at their principal amount, together with interest accrued to the date for redemption. The redemption option of the Company will only be exercisable in the event of changes in laws or regulation in Hong Kong or the PRC, which leading the Group to pay additional amount for the additional tax imposed to the bondholders.

Net proceeds from the issue of the Bonds were reduced by transaction cost amounted to approximately RMB10,398,000 (equivalent to approximately HK$12,478,000). The effective interest of the Bonds is approximately 5.13% per annum.

18. CONTINGENT LIABILITIES

The Group was not subject to any contingent liabilities as at 31 December 2012. The Company or any of its subsidiaries was not involved in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the directors of the Company to be pending or threatened against the Company or any of its subsidiaries.

19. GUARANTEES

At 31 December 2012, the Group had contingent liabilities in relation to guarantees of approximately HK$39,397,000 (At 31 December 2011: HK$30,977,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

20. COMMITMENTS

(a) Capital commitments

	2012	2011
	HK'000	*HK'000*
Contracted but not provided for Purchase of property, plant and equipment	**39,596**	—

(b) Other commitments

On 13 August 2012, the Group entered into the Framework Agreement in relation to the acquisition of 82% equity interests in Alpha Fortune at the aggregate considerations of RMB615,000,000 (equivalent to approximately HK$750,300,000). As of 31 December 2012, the Group had paid deposits of RMB265,000,000 (equivalent to approximately HK$325,950,000) to the Vendors. If the Group intends to complete the Acquisition, pursuant to the payment terms as set forth in the Framework Agreement, the remaining balance of RMB350,000,000 (equivalent to approximately HK$430,500,000) of the purchase consideration shall be settled by (i) cash of RMB200,000,000 (equivalent to approximately HK$246,000,000) and (ii) issuance of consideration shares of RMB150,000,000 (equivalent to approximately HK$184,500,000) at the issue price of HK$0.308 per share.

Details in relation to the Framework Agreement are set out in the Company's announcement dated 21 August 2012.

21. POST REPORTING DATE EVENTS

Save as disclosed elsewhere in this announcement, the Group has entered into significant post reporting date events as follows:

i. On 22 February 2013, Chengtong Development International Trading Limited, a 55% owned subsidiary of the Company, executed a multi-currency note deed poll in favour of Overseas-Chinese Banking Corporation Limited, a bank licensed and incorporated in Singapore, in connection with the issue of multi-currency loan notes (the “Notes”) of up to an aggregate amount of RMB1,000,000,000 (equivalent to approximately HK$1,230,000,000). The Notes will not be listed on any stock exchange. On 26 February 2013, the Group has issued the Notes in the aggregate principal amount of RMB110,000,000 (equivalent to approximately HK$135,300,000) at the interest rate of 2.65% per annum which will mature on 26 November 2013.

ii. On 22 February 2013, 杭州瑞能金屬材料有限公司, a 55% indirectly owned subsidiary of the Company, agreed to subscribe for an investment product (the “Investment Product”) issued by OCBC Bank (China) Ltd. (the “Bank”), a bank licensed under the laws of the PRC, at a price of RMB110,000,000 (equivalent to approximately HK$135,300,000). The expected rate of return of the Investment Product is 3.48% per annum. The subscription period of the Investment Product commenced on 25 February 2013 and will mature on 26 November 2013. Such subscription of the Investment Product constitutes a discloseable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Details in relation to the issuance of the Notes and the subscription of the Investment Products are set out in the Company’s announcement dated 22 February 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL RESULTS

Turnover of the Group for the year ended 31 December 2012 was approximately HK$8,627 million, representing a significant increase as compared with HK$419 million for the year ended 31 December 2011. The increase was mainly attributable to the significant increase in the turnover from the Group's bulk commodity trading business which was newly-commenced in the fourth quarter of 2011.

The Group recorded profit attributable to shareholders of approximately HK$184.53 million for the year ended 31 December 2012, representing a significant increase as compared with approximately HK$36.38 million for the year ended 31 December 2011, which was mainly attributable to:

(i) the segment profit before tax of approximately HK$88.87 million from the Group's bulk commodity trading business in 2012 as a result of the significant increase in the turnover of such business, representing a significant increase as compared with approximately HK$25.93 million in 2011;

(ii) the total interest income of approximately HK$90.89 million from the Group's financial leasing business and the entrusted loans, representing a significant increase as compared with approximately HK$13.49 million in 2011; and

(iii) the excess of the fair value of net assets of several subsidiaries in Hainan Province acquired by the Group as at the completion date of the acquisition over the fair value of the acquisition consideration, of approximately HK$122.23 million, which was recognized in the consolidated income statement for the year.

II. BUSINESS REVIEW

(1) Bulk Commodity Trade and Trading of Coal

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

In 2012, Chengtong International Trading and Hangzhou Ruineng achieved external sales of approximately HK$4,551.57 million and approximately HK$4,352.06 million respectively. Together with the results of bulk commodity trading business of its several other wholly-owned subsidiaries, the Group achieved total external sales of approximately HK$11,691.73 million, out of which, approximately HK$8,429.74 million were the corresponding sales of the purchases made in accordance with the Group's expected purchase requirements. In 2012, those sales of approximately HK$8,429.74 million and the aforesaid purchases of approximately HK$8,375.84 million are recognised as gross turnover and cost of sales respectively in the consolidated income statement. The operation of the remaining external sales of approximately HK$3,261.99 million and external purchases of approximately HK$3,164.51 million was same as the operation of those in the year 2011 and accordingly its accounting treatment was consistently applied, i.e. its gross profit of approximately HK$97.48 million in total was recognised as turnover in the consolidated income statement in 2012. As such, the turnover of the bulk commodity trading business was approximately HK$8,527.22 million in 2012, while only Chengtong International Trading recorded external sales of approximately HK$776.34 million and its gross profit of approximately HK$26.04 million was recognized as turnover in 2011.

Bill receivables in relation to bulk commodity trading were discounted to banks, and the finance cost of discounted bills with recourse is amortised to the profit and loss over the relevant period and those without recourse is charged in full to current profit and loss according to the Hong Kong Accounting Standards. During the year under review, consolidated finance cost of bulk commodity trading business totalled approximately HK$66.09 million (including interest expenses on discounted bills amortised or charged for the current year and bank loan interest) (2011: approximately HK$3.70 million).

In 2012, 大豐瑞能燃料有限公司 (unofficial English translation as Dafeng Ruineng Fuel Company Limited) (the "Dafeng Ruineng") recorded sales agency income of approximately RMB51,369 from the trading of coal business, as compared with turnover and gross profit of approximately HK$278.69 million and approximately HK$11.83 million in 2011. As the coal trading sector in the PRC experienced a widespread loss in 2012, Dafeng Ruineng did not enter into any coal purchase transaction to avoid any pricing risk.

(2) Financial Leasing

In 2012, the Group recorded both turnover and gross profit in respect of its financial leasing business both of approximately HK$11.42 million, representing an increase of approximately 38% as compared with approximately HK$8.28 million in 2011.

(3) Property Development and Property Investment

(i) Zhucheng of Shandong Province

In 2012, residential apartments of approximately 14,962 square metres, underground ancillary apartments of approximately 661 square metres (2011: approximately 1,942 square metres and 1,576 square metres respectively), 26 underground and 1 above ground parking spaces (2011: 20 and 39 respectively) of CCT-Champs-Elysees Phase I were sold and delivered. This project recorded total net sales revenue of approximately RMB62.75 million (equivalent to approximately HK$77.19 million) and a total gross profit of approximately RMB15.27 million (equivalent to approximately HK$18.78 million) in 2012, as compared to total net sales revenue of approximately HK$86.49 million and a total gross profit of approximately HK$9.4 million in 2011. The leased area of CCT-Champs-Elysees Phase I increased from approximately 3,794 square metres in 2011 to approximately 4,725 square metres in 2012 and the rental income was approximately HK$1.95 million as compared to that of approximately HK$1.19 million in 2011.

As of 31 December 2012, CCT-Champs-Elysees Phase I was fully completed, with unsold or sold-but-not-delivered residential spaces of approximately 29,265 square metres and commercial spaces of approximately 2,485 square metres (excluding the leased area of approximately 4,725 square metres).

The preliminary preparatory work in respect of the three buildings in section II of CCT-Champs-Elysees Phase II has progressed as planned, and its principal construction work is expected to be completed in 2013.

(ii) Dafeng of Jiangsu Province

In 2012, residential buildings and serviced apartments of approximately 650 square metres and 974 square metres respectively (2011: approximately 1,951 square metres and 2,468 square metres respectively) of section I of the initial development area of "Chengtong International City", which is located in Dafeng city of Jiangsu Province, were sold and delivered, generating total net sales revenue of approximately RMB4.86 million (equivalent to approximately HK$5.98 million) and a total gross profit of RMB0.98 million (equivalent to approximately HK$1.21 million) (2011: approximately HK$15.51 million and HK$2.75 million respectively). As of 31 December 2012, the residential area of section I of the initial development area of "Chengtong International City" was sold out, while the remaining saleable area of serviced apartments, commercial units (along with ancillary facilities) and office buildings were approximately 392 square metres, 6,364 square metres, and 3,176 square metres respectively. The decline in sales in 2012 was mainly because the real estate market was affected by economic recessions both abroad and at home leading to capital shortage and sluggish sales.

In December 2012, the Group obtained the planning permit for section II of the initial development area of "Chengtong International City" and completed relevant preliminary preparations. The Group plans to commence the construction in 2013.

(4) Land Resources Development

During the year under review, Chengtong Industrial, a wholly-owned subsidiary of the Group, held two parcels of land located in Changzhou of Jiangsu Province and Shenyang of Liaoning Province, with site areas of approximately 84,742 square metres and 247,759 square metres respectively, and certain buildings erected thereon.

In 2012, the rental income from the land in Changzhou and Shenyang amounted to approximately HK$0.21 million and nil respectively, while approximately HK$0.75 million and approximately HK$1.27 million were recorded respectively in 2011. The decrease in the rental income was mainly because the lease term of the property in Changzhou was 2 months in 2012 and 12 months in 2011, and the lease agreement on the property in Shenyang expired in 2011 without any renewal.

In December 2012, the Group entered into an agreement with Changzhou Land Reserve Centre to dispose of the land in Changzhou, together with the buildings erected thereon, for a consideration of RMB149.99 million. Chengtong Industrial has received the first installment payment of approximately RMB76.50 million, and shall, after removal of all buildings and other immovable fixed assets attached thereto, deliver the land to Changzhou Land Reserve Centre on or before 30 November 2013. Changzhou Land Reserve Centre may pay to Chengtong Industrial the staged consideration earlier than the agreed date if Chengtong Industrial completes the staged relocation progress earlier than the agreed timeframe.

In December 2011, the Group entered into a conditional sales and purchase agreement with an independent third party to sell 12% interest in CT Enterprises, a wholly-owned subsidiary of the Group, for a consideration of approximately RMB51.54 million. In February 2013, both parties reached an agreement to terminate the above agreement, and the Group shall refund the deposit of RMB10 million and part payment of consideration of RMB25 million (together with the fund usage charges calculated at 10% per annum).

(5) Hospitality and Marine Travel Services

The Company entered into the acquisition agreement and supplemental agreements dated 27 July 2011, 29 August 2011, 29 June 2012 and 28 September 2012 with China Chengtong Holdings Group Limited ("CCHG") and China Chengtong Hong Kong Company Limited ("CCHK") to acquire the equity interests in several subsidiaries of CCHG (collectively as "Travel Investment Group"), the consideration of which was settled by way of issuance of 677,282,549 ordinary shares in the Company ("Consideration Shares"). Such transaction was completed on 21 December 2012. The fair value of the Consideration Shares as of the date of completion was approximately HK$176.09 million which was HK$122.23 million less than the fair value of the consolidated net assets of the Travel Investment Group of HK$298.32 million as of the date of completion, and such difference was recognized in the consolidated income statement upon completion of the acquisition.

III. ACQUISITION AND TERMINATION OF ACQUISITION

On 13 August 2012, the Group entered into a framework agreement (the "Framework Agreement") with independent third parties (the "Vendors") in relation to the acquisition of 82% equity interests in Alpha Fortune Industrial Limited ("Alpha Fortune") at the aggregate considerations of RMB615,000,000 (equivalent to approximately HK$750,300,000). Alpha Fortune indirectly owns 60% of the equity interests in 廣西合山煤業有限責任公司 (the "Coal Mine Company") and its subsidiaries which principally engage in exploration and mining of coal mines resources in the PRC. The proposed acquisition of 82% equity interests in Alpha Fortune (the "Acquisition") constituted a very substantial acquisition under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As of 31 December 2012, the Group had paid cash of HK$325,950,000 to the Vendors as earnest money and advance payment (collectively the "Deposits") pursuant to the payment schedule as specified in the Framework Agreement.

Pursuant to the Framework Agreement, if the Vendors or each member of Alpha Fortune and its subsidiaries (collectively referred to as the "Target Group") breach the undertakings, warranties and exclusivity clauses of the Framework Agreement or the parties to the Framework Agreement are unable to enter into a formal sale and purchase agreement on or before 8 February 2013, the Group is entitled to terminate the Framework Agreement. Upon termination of the Framework Agreement, the Deposits paid to the Vendors shall be fully refundable to the Group.

To secure the performance of the refund obligations of the Vendors, the Vendors have (i) unconditionally pledges 49% of the equity interest in the Coal Mine Company in favour of the Group as security and (ii) provided joint and several guarantee in favour of the Group to secure the performance of the refund obligations of the Vendors as described above.

The Group has commenced thorough due diligence review on the assets, financial and legal aspects etc. of the Target Group upon signing of the Framework Agreement. Given that the difference between the net asset value of the Coal Mine Company as at 31 December 2011 as represented by the Vendors in the Framework Agreement and the results of the due diligence review on the Target Group up to the 6 February 2013 did not comply with the relevant terms of the Framework Agreement, the Group decided to terminate the Framework Agreement in accordance with the aforementioned termination clause of the Framework Agreement. A written notice of termination has been served by the Group to the Vendors on 6 February 2013.

The Group is negotiating with the Vendors regarding (i) the refund of the Deposits paid by the Group; and (ii) a new proposal for the Acquisition. It is the Group's intention not to proceed with any further negotiation regarding the Acquisition should the Group and the Vendors fail to agree on a new proposal for the Acquisition on or before 31 May 2013.

IV. OUTLOOK

The United States, as the biggest export destination of China, continues a slow economic recovery while the China's economy has bottomed out. However, the market is still haunted by uncertainties from Europe, Japan, etc. 2013 is a hopeful year for the global economy to shrug off the financial crisis, although it is also a year full of uncertainties. Such macroeconomic factors have mixed impact on the bulk commodity trading business of the Group. The liberalization of interest rates in the PRC will be accelerated, and the ups and downs of the exchange rate will be frequently seen. As such, the entire bulk commodity market, including the nonferrous metal market, will continue to decline before edging up and stabilizing. In 2013, the Group will shape a profit-making model with its own features which will focus more on risk control, and continue to expand its bulk commodity trading business. The further expansion of bulk commodity trading business will also enlarge and consolidate the Group's client base in mining field, which will help the Group to further expand into the upstream field of mineral resources.

In 2013, the Group will continue to press ahead its expansion into the upstream field of mineral resources, mainly through merger and acquisition of the established enterprises with appropriate size as well as strategic investment in world-class mining projects. Base metals such as copper, aluminum, lead, zinc, nickel and tin as well as coal will be our major investment targets. The mining industry has been struggling amidst the turbulent and uncertain market conditions in recent years. However, the current stagnant trend in the industry has offered favourable opportunities and more choices for the Group to access the mineral resources field. In the long run, the fundamentals of the resources industry are still optimistic as huge demand for mineral resources is still expected from the developing counties. Only those companies that invest today will reap huge rewards in the future.

Bulk commodity trading and mining development and investment will become the major drivers of the Group to develop into a comprehensive trader of bulk commodity and energy. The synergy effect from these two businesses will enhance the Group's ability to withstand risks in the commodity fields, level the intense cyclical nature of the commodity sector and enhance its comprehensive profitability in the commodity realm.

In December 2012, the Group completed the acquisition of travel business in Hainan Island which will become one of the major business areas of the Group in the future. Hainan International Tourism Island, as a major strategic deployment of the State Council, has been a tourist honeypot in China in recent years, and its tourism market has maintained sustainable growth. Compared with those world-class island leisure and holiday resorts, a great development potential could be expected for the tourism projects and service functions in Hainan Island. The Group boasts its unique competitive advantages in respect of maritime tourism in Hainan Island. The Group will continuously expand its business in Hainan through investment in new projects and merger and acquisition of enterprises, aiming to make it an important profit generator of the Group.

The Group is reaping fruits of the existing land resource development and property investment projects. The Group believes that these projects will gradually bring favorable returns to the Group.

In particular, the Group is transforming to a comprehensive trader of bulk commodity and energy, for which the Group has obtained strong support from CCHG, the ultimate controlling shareholder of the Group. Also, the advantages of CCHG in warehouse logistics, industry information and risk control in the field of bulk commodity have generated an admirable synergy effect with the businesses of the Group.

In view of the above, the Board is full of confidence in the development of the Group in 2013 and in the future.

GEARING RATIO

As at 31 December 2012, the Group's gearing ratio calculated on the basis of bank borrowings, other loans, loan from a non-controlling shareholder of a subsidiary and corporate bonds of approximately HK$5,927.22 million and total assets of approximately HK$11,125.57 million was approximately 53% (31 December 2011: 42%).

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy during the year under review. As at 31 December 2012, the Group had cash and bank balances amounting to approximately HK$2,328.97 million (31 December 2011: approximately HK$953.03 million), and current assets and current liabilities of approximately HK$10,410.55 million and HK$8,275.29 million respectively (31 December 2011: approximately HK$2,968.01 million and HK$813.75 million respectively).

As at 31 December 2012, the Group's corporate bonds which were issued on 19 May 2011 amounted to approximately HK$731.98 million (31 December 2011: approximately HK$721.85 million) and will mature on 19 May 2014. The Group's discounted bills with recourse and short-term bank loans of approximately HK$4,841.84 million and HK$352.79 million respectively (31 December 2011: approximately HK$595.14 million and HK$48.8 million respectively) were secured and repayable within one year with interest at commercial rate. The other loans from third parties of approximately HK$600,000 was unsecured, repayable on demand and interest-free.

The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year.

The Group will continue to employ conservative and sound financial planning, ensuring a solid financial position to support its future growth.

FOREIGN EXCHANGE RISK MANAGEMENT

The subsidiary which engages in bulk commodity trade has foreign currency (i.e. US dollars) transactions, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2012, the Group employed a total of 357 employees, of which 18 were based in Hong Kong and 339 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the Directors are decided by the remuneration committee of the Company (the "Remuneration Committee"), having regard to the Company's corporate goals, their individual performance and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to Directors and eligible employees to subscribe for the shares of the Company. The Group has also adopted a share award scheme (the "Share Award Scheme") under which shares of the Company will be awarded, with the approval of the Board, to selected employees to recognise the contribution by them and to give them incentives thereto in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group.

PLEDGE OF ASSET

As at 31 December 2012, discounted bills with recourse of approximately HK$4,841.84 million (31 December 2011: approximately HK$595.14 million) were secured by bill receivables of approximately HK$4,919.86 million (31 December 2011: approximately HK$611.42 million.)

As at 31 December 2012, the short-term bank loans of HK$12.3 million (31 December 2011: HK$48.8 million) were secured by the land use rights included in property held for development amounting to HK$109.47 million (31 December 2011: HK$108.58 million).

CONTINGENT LIABILITIES, GUARANTEES & COMMITMENTS

Please refer to notes 18, 19 and 20 to the consolidated financial statements in this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 6,630,000 shares of the Company at a total consideration of about HK$1.99 million.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had 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 to each of the directors of the Company, the Company has received confirmations from all directors of the Company that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2012, the Company has complied with provisions of Rules 3.10 and 3.10A 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, please refer to the annual report of the Company for the year ended 31 December 2012.

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to healthy and sustainable development of the Group. In the opinion of the directors of the Company, the Company had complied with all the code provisions of (i) the former Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period from 1 January 2012 to 31 March 2012 and (ii) the revised and renamed Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") for the period from 1 April 2012 to 31 December 2012, save as disclosed below:

Code provision A.6.7 of the Code

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Due to other business commitment, Mr. Ba Shusong, an independent non-executive director (who has resigned as an independent non-executive director on 1 January 2013), was unable to attend the annual general meeting of the Company held on 21 June 2012.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, including Mr. Kwong Che Keung, Gordon as chairman, Mr. Tsui Yiu Wa, Alec, and Mr. Chang Qing. 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 audited consolidated financial statements of the Company for the year ended 31 December 2012 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

Pursuant to the provisions of the Code as set out in Appendix 14 of the Listing Rules, the Board has established the Remuneration Committee. The Remuneration Committee comprises two independent non-executive Directors, Mr. Tsui Yiu Wa, Alec as chairman and Mr. Kwong Che Keung, Gordon and the chairman of the Board, Mr. Zhang Guotong, who is an executive Director. The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") and was chaired by the chairman of the Board, Mr. Zhang Guotong, an executive Director. Other members of the Nomination Committee include two independent non-executive Directors, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec. The Nomination Committee is responsible for nominating potential candidates for directorship appointment and succession planning of the Board, reviewing the composition and structure of the Board regularly and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/chengtong. The annual report of the Company for the year ended 31 December 2012 will be available on both websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 11 March 2013

As at the date of this announcement, the executive Directors are Mr. Zhang Guotong, Mr. Yuan Shaoli, Mr. Wang Hongxin and Mr. Wang Tianlin; and the independent non-executive Directors are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec and Mr. Chang Qing.