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 2016 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2016 amounted to approximately HK$716.56 million, representing an increase of approximately 24% as compared with that for last year.
- Profit before tax for the year ended 31 December 2016 amounted to HK$99.28 million, representing a decrease of approximately 21% as compared with that for last year.
- Gross profit margin for core business of the Group for the year ended 31 December 2016 was approximately 18.5%, representing a decrease of approximately 1% as compared with that for last year.
- Earnings per share for the year ended 31 December 2016 was approximately HK1.10 cents, representing a decrease of approximately HK0.43 cent as compared with that for last year.
- As at 31 December 2016, cash (including deposits in other financial institutions, bank balances and cash) held by the Group amounted to approximately HK$1,358.09 million.
- As at 31 December 2016, the debt to equity ratio (expressed as the sum of corporate bonds and bank borrowings divided by total equity) was approximately 26%, representing an increase of approximately 2% as compared with that as at 31 December 2015.

The board (“**Board**”) of directors (“**Directors**”) of China Chengtong Development Group Limited (“**Company**”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, “**Group**”) for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Turnover	*3*	**716,559**	576,533
Cost of sales		**(584,246)**	(464,414)
Gross profit		**132,313**	112,119
Other income	*4*	**98,491**	172,953
Selling expenses		**(12,320)**	(15,222)
Administrative expenses		**(86,328)**	(107,479)
Fair value loss on investment properties		**(80)**	(62)
Fair value gain/(loss) on held-for-trading securities		**45**	(469)
Excess of fair value of the net identifiable assets over the cost of acquisition of a subsidiary		**–**	5,056
Finance costs	*5*	**(32,843)**	(40,579)
Profit before income tax		**99,278**	126,317
Income tax expense	*6*	**(31,908)**	(49,391)
Profit for the year	*7*	**67,370**	76,926
Profit for the year attributable to:			
Owners of the Company		**63,804**	81,830
Non-controlling interests		**3,566**	(4,904)
		67,370	76,926
Earnings per share	*9*		
– Basic		**HK1.10 cents**	HK1.53 cents
– Diluted		**HK1.10 cents**	HK1.53 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**67,370**	76,926
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**(152,205)**	(144,798)
Change in fair value of available-for-sale financial assets	**9,894**	(3,492)
Total comprehensive income for the year	**(74,941)**	(71,364)
Total comprehensive income attributable to:		
Owners of the Company	**(69,300)**	(57,895)
Non-controlling interests	**(5,641)**	(13,469)
	(74,941)	(71,364)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**158,713**	179,059
Prepaid land lease payments		**188,949**	206,579
Investment properties		**58,934**	58,468
Deposits paid		**37,027**	39,341
Loans receivable	*12*	**353,654**	261,493
		797,277	744,940
Current assets			
Properties held for sale		**159,716**	242,917
Properties under development		**241,042**	169,581
Properties held for development		**276,450**	293,728
Inventories	*10*	**6,145**	22,922
Trade and other receivables	*11*	**97,879**	73,492
Loans receivable	*12*	**309,545**	162,969
Amount due from a non-controlling shareholder of a subsidiary		**21,318**	21,641
Loan to a related party		**36,823**	38,888
Prepaid land lease payments		**5,287**	5,414
Entrusted loan receivables	*13*	**7,840**	59,140
Available-for-sale financial assets	*14*	**513,130**	410,136
Held-for-trading securities		**1,279**	1,234
Short-term investments	*15*	**13,440**	16,660
Structured bank deposits		**–**	167,790
Pledged bank deposits		**1,640**	1,737
Deposits in other financial institution		**428,186**	355,650
Bank balances and cash		**929,903**	1,048,218
		3,049,623	3,092,117

	Notes	2016 HK$'000	2015 HK$'000
Current liabilities			
Trade and other payables	*16*	**127,834**	107,333
Deposits received from sale of properties		**72,920**	53,294
Taxation payable		**3,148**	2,218
Bank borrowings	*17*	**77,280**	–
Unsecured other loan		**600**	600
Corporate bonds	*18*	**667,219**	–
		949,001	163,445
Net current assets		**2,100,622**	2,928,672
Total assets less current liabilities		**2,897,899**	3,673,612
Non-current liabilities			
Deferred tax liabilities		**73,088**	74,608
Corporate bonds	*18*	**–**	694,757
		73,088	769,365
Net assets		**2,824,811**	2,904,247
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**2,185,876**	2,185,876
Reserves		**501,197**	574,992
		2,687,073	2,760,868
Non-controlling interests		**137,738**	143,379
Total equity		**2,824,811**	2,904,247

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION

The consolidated 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 "**HKFRS**") and the provisions of the Hong Kong Companies Ordinance (Cap. 622) which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") 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 (the "**Stock Exchange**").

The financial information relating to the years ended 31 December 2016 and 2015 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance.

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

2.1 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 2016:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The adoption of the amendments has no material impact on the Group's financial statements.

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

The following new/revised HKFRSs, which are 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.

Amendments to HKAS 7	Disclose Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Directors anticipate that the adoption of HKFRS 9 (2014) would not result in significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2016.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Directors anticipate that the adoption of HKFRS 15 would not result in significant impact on amounts reported in the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitment of the Group in respect of rented premises as at 31 December 2016 amounted to HK$8,547,000. The Directors anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group's result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group's financial statements.

The Directors anticipate that the adoption of other new or revised standards would not result in significant impact on amounts reported in the Group's 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.

During the year ended 31 December 2016, the Group has reorganised its internal reporting structure by simplifying the segmental classification based on revenue contribution from its product and service lines so as to enhance operational efficiency. Accordingly, the comparative segment information has been re-presented to conform to current year's presentation. The Group's reportable segments for financial reporting purposes have been reorganised as follows:

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

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

(3) Finance leasing – providing finance leasing service including arranging sale and leaseback transaction

(4) Bulk commodity trade – trading of coal and non-ferrous metals

(5) 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 2016

	Property investment *HK$'000*	Property development *HK$'000*	Finance leasing *HK$'000*	Bulk commodity trade *HK$'000*	Hotel and marine travelling services *HK$'000*	Total *HK$'000*
Turnover as presented in consolidated income statement	**2,157**	**103,598**	**51,503**	**511,849**	**47,452**	**716,559**
Results						
Segment results *(Note (a))*	**1,972**	**19,177**	**47,806**	**16,012**	**7,452**	**92,419**
Fair value loss on investment properties *(Note (b))*						**(80)**
Fair value gain on held-for-trading securities						**45**
Interest income from entrusted loan receivables						**2,461**
Unallocated finance costs						**(32,819)**
Unallocated corporate expenses						**(52,937)**
Unallocated corporate income						**90,189**
Profit before income tax						**99,278**

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	Property investment *HK$'000*	Property development *HK$'000*	Finance leasing *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 deposits, short-term investments and available-for-sale financial assets	–	235	2,427	315	561	53,060	56,598
Depreciation	–	(228)	(115)	(3)	(8,200)	(4,108)	(12,654)
Finance costs	–	–	(24)	–	–	(32,819)	(32,843)
Loss on disposal of property, plant and equipment	–	–	–	–	(4)	–	(4)
Reversal of write-down of inventories	–	–	–	–	530	–	530
Written off of other receivables	–	–	–	–	–	(276)	(276)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value loss on investment properties	(80)	–	–	–	–	–	(80)

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2015

	Property investment *HK$'000*	Property development *HK$'000*	Finance leasing *HK$'000*	Bulk commodity trade *HK$'000* (Re-presented)	Hotel and marine travelling services *HK$'000*	Total *HK$'000*
Turnover as presented in consolidated income statement	1,970	101,042	40,986	374,345	58,190	576,533
Results						
Segment results *(Note (a))*	1,719	22,384	36,478	62,988	6,661	130,230
Fair value loss on investment properties *(Note (b))*						(62)
Fair value loss on held-for-trading securities						(469)
Excess of fair value of the net identifiable assets over the cost of acquisition of a subsidiary						5,056
Interest income from entrusted loan receivables						10,471
Unallocated finance costs						(39,394)
Unallocated corporate expenses						(29,950)
Unallocated corporate income						50,435
Profit before income tax						126,317

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	Property investment *HK$'000*	Property development *HK$'000*	Finance leasing *HK$'000*	Bulk commodity trade *HK$'000* (Re-presented)	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, short-term investments and available-for-sale financial assets	–	222	2,776	62,881	1,534	17,397	84,810
Depreciation	–	(157)	(101)	(3,592)	(10,903)	(480)	(15,233)
Finance costs	–	–	–	(1,185)	–	(39,394)	(40,579)
(Loss)/gain on disposal of property, plant and equipment	–	–	43	(13)	(12,438)	–	(12,408)
Reversal of impairment of prepayment	–	–	–	16,855	–	–	16,855
Compensation income	–	–	–	–	6,762	–	6,762
Subsidy income	–	5,315	–	–	–	–	5,315
Provision for inventories	–	–	–	(949)	(562)	–	(1,511)
Impairment of prepayment	–	–	–	(4,960)	–	–	(4,960)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value loss on investment properties	(62)	–	–	–	–	–	(62)

Unallocated corporate income mainly comprised interest income from deposits, short-term investments and available-for-sale financial assets, interest income from a related party and reversal of other payables which are not directly attributable to the business activities of any operating segment.

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Unallocated corporate expenses mainly comprised staff costs and legal and professional expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Segment results do not include income tax expense, 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, excess of fair value of the net identifiable assets over the cost of acquisition of a subsidiary, 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.

Other segment information

The Group's significant operations, external customers and non-current assets (other than financial assets) during the years ended 31 December 2016 and 2015 were mainly 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)**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**184**	223
The PRC	**716,559**	576,533	**406,412**	443,883
	716,559	576,533	**406,596**	444,106

3. SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)

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

	2016	2015
	HK$'000	*HK$'000*
Customer A *(Note 1)*	–	139,469
Customer B *(Note 2)*	**96,733**	–
Customer C *(Note 3)*	**106,534**	98,212
	203,267	237,681

Notes:

1. This was a customer for bulk commodity trade business for the year ended 31 December 2015 and no revenue was contributed from this customer to the total turnover of the Group for the year ended 31 December 2016.

2. This was a customer for bulk commodity trade business for the year ended 31 December 2016 and no revenue was contributed from this customer to the total turnover of the Group for the year ended 31 December 2015.

3. This was a customer for bulk commodity trade business for the years ended 31 December 2016 and 2015.

Turnover from major products and services

	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Rental income	**2,157**	1,970
Sales of properties	**103,598**	101,042
Interest income	**43,777**	28,703
Consultancy service income from finance leasing arrangements	**7,726**	12,283
Bulk commodity trade	**511,849**	374,345
Hotel and marine travelling services	**47,452**	58,190
	716,559	576,533

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income from deposits, short-term investments and available-for-sale financial assets	**56,598**	84,810
Interest income from entrusted loan receivables	**2,461**	10,471
Interest income from consideration receivable from disposal of a subsidiary	**–**	7,159
Interest income from a related party	**3,367**	6,448
Interest income from a non-controlling shareholder of a subsidiary	**993**	1,208
Subsidy income *(Note)*	**–**	5,315
Reversal of impairment of prepayment	**–**	16,855
Reversal of other payables	**–**	5,024
Compensation income	**–**	6,762
Overdue charges under the entrusted loan arrangements	**–**	197
Exchange gain, net	**33,362**	27,941
Others	**1,710**	763
	98,491	172,953

Note:

Subsidy income mainly comprised unconditional government grants for subsidising the Group's property development business.

5. FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000*
Interest on corporate bonds	**42,019**	43,553
Interest on bank borrowings	**24**	477
Interest on discounted bills with recourse	**–**	708
	42,043	44,738
Less: Amounts capitalised on properties under development	**(9,200)**	(4,159)
	32,843	40,579

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%. 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.

	2016 *HK$'000*	2015 *HK$'000*
The taxation charge comprises:		
Current tax for the year:		
Hong Kong Profits Tax	**–**	–
PRC EIT	**24,362**	34,775
PRC LAT	**4,423**	2,784
	28,785	37,559
Under-provision in prior years:		
PRC EIT	**126**	7,972
	28,911	45,531
Deferred taxation	**2,997**	3,860
Income tax expense	**31,908**	49,391

7. PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration	**980**	980
Amortisation of prepaid land lease payments	**5,523**	3,256
Depreciation of property, plant and equipment	**12,765**	15,351
Less: Amounts capitalised on properties under development	**(111)**	(118)
	12,654	15,233
Minimum lease payments in respect of rented premises	**2,619**	3,056
Contributions to retirement benefits schemes (including directors' emoluments)	**6,891**	6,791
Staff costs (including directors' emoluments)	**50,131**	48,977
Total staff costs	**57,022**	55,768
Less: Amounts capitalised on properties under development	**(1,460)**	(1,674)
	55,562	54,094
Cost of inventories recognised as expenses	**576,814**	451,070
(Reversal of write-down of)/provision for inventories*	**(530)**	1,511
Loss on disposal of property, plant and equipment	**4**	12,408
Written off of other receivables	**276**	–
Impairment of prepayment	**–**	4,960

* (Reversal of write-down of)/provision for inventories for the year was included in "cost of sales" on the face of the consolidated income statement.

8. DIVIDENDS

No dividend in respect of the years ended 31 December 2016 and 2015 was proposed during the years ended 31 December 2016 and 2015, 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 earnings for the year attributable to owners of the Company of HK$63,804,000 (2015: HK$81,830,000) and on the weighted average number of 5,808,735,000 (2015: 5,360,538,000) ordinary shares in issue during the year.

There were no potential dilutive ordinary shares outstanding during both years and hence the diluted earnings per shares is the same as basic earnings per share.

10. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Coal	**2,080**	19,128
Merchandises and consumables	**4,065**	3,794
	6,145	22,922

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**63,682**	48,979
Prepayments and deposits	**12,191**	10,017
Other receivables *(Note (b))*	**22,006**	14,496
Total trade and other receivables	**97,879**	73,492

Notes:

(a) As at 31 December 2016 and 2015, trade receivables mainly arose from bulk commodity trade. There is a 30 days to 45 days credit period granted to certain customers (2015: 0 day to 45 days) of bulk commodity trade business.

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

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

	2016	2015
	HK$'000	*HK$'000*
Within three months	**63,682**	48,979

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables presented that are neither individually nor collectively considered to be impaired are as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**63,676**	48,145
Less than one month past due	**–**	820
One to three months past due	**6**	14
	63,682	48,979

As at 31 December 2016, among the Group's trade receivables balance were debtors with aggregate carrying amount of HK$6,000 (2015: HK$834,000) which were 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) During the year ended 31 December 2016, the Group has written off other receivables of HK$276,000 (2015: Nil) which were uncollectible.

12. LOANS RECEIVABLE

During the year ended 31 December 2016, the Group entered into 9 (2015: 5) sale and leaseback agreements pursuant to which the customers (the "**lessees**") sold their equipment and facilities to the Group and leased back the equipment and facilities with the lease period ranged from 2.5 years to 3 years from the date of inception. In addition, the ownership of leased assets will be transferred to the lessees at a purchase option of RMB1 upon the settlement of the receivable and the interest accrued under the sale and leaseback arrangements. The lessees retain control of the equipment and facilities before and after entering into the sale and leaseback arrangements which do not therefore constitute a lease for accounting purposes. Rather, the arrangements have been accounted for as a secured loan in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement".

	2016	2015
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	**309,545**	162,969
Non-current assets	**353,654**	261,493
	663,199	424,462

12. LOANS RECEIVABLE (CONTINUED)

As at 31 December 2016, effective interest rates ranged from approximately 6.50% to 10.87% (2015: 8.20% to 10.87%) per annum.

As at 31 December 2016 and 2015, no loans receivable have been past due or impaired. The loans receivable under the sale and leaseback arrangements are secured by the leased equipment and facilities and the Group has obtained guarantees provided by the controlling shareholders of the lessees. The Group is not permitted to sell or re-pledge the collateral in absence of default by the lessees. The lessees are obliged to settle the amounts according to the terms set out in the relevant contracts.

As at 31 December 2016 and 2015, the fair value of loans receivable approximates to its carrying amount.

13. ENTRUSTED LOAN RECEIVABLES

As at 31 December 2016, the Group had entered into one (2015: one) entrusted loan arrangement with customer through a licensed bank in the PRC. Details of the entrusted loan receivables are as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Entrusted loan receivables:		
Principal	**7,840**	58,905
Interest receivables	**–**	235
	7,840	59,140
Receivables within one year	**7,840**	59,140

As at 31 December 2016 and 2015, all entrusted loan receivables carry fixed-rate interest and the contractual maturity dates are within one year from the respective date of borrowing.

Effective interest rate (which is equal to contractual interest rate) of the Group's entrusted loan receivables as at 31 December 2016 is 8.5% (2015: 13%).

As at 31 December 2016 and 2015, no entrusted loan receivables have been past due or impaired. The entrusted loan receivables are mainly secured by land and buildings. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the entrusted loan borrowers.

All the Group's entrusted loan receivables are denominated in RMB, which is the functional currency of the respective group companies.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK$'000	*HK$'000*
Listed investment, at fair value:		
– Term note with interest of 8.125% per annum, dual-listed in Singapore and Ireland	**241,530**	231,636
Unlisted investments, at cost:		
– Investments with interest ranging from 3.9% to 9.2% (2015: ranging from 8.3% to 9.6%) per annum	**271,600**	178,500
	513,130	410,136

Available-for-sale financial assets are denominated in the following currencies:

	2016	2015
	HK$'000	*HK$'000*
US dollars	**241,530**	231,636
RMB	**271,600**	178,500
	513,130	410,136

Within the available-for-sale financial assets, balance of HK$241,530,000 (2015: HK$267,336,000) was subject to maturity in 3 years (2015: 2 to 3 years) and balance of HK$271,600,000 (2015: HK$142,800,000) was redeemable on demand or with maturity from 152 days to 1 year and 7 months (2015: 152 days to 1 year).

The unlisted investments amounted to HK$271,600,000 (2015: HK$178,500,000) do not have quoted market prices in an active market and those fair value cannot be reliably measured. These available-for-sale financial assets are measured at cost less identified impairment losses (if any) at the end of the reporting period.

None of the available-for-sale financial assets was either past due or impaired as at 31 December 2016 and 2015.

15. SHORT-TERM INVESTMENTS

During the years ended 31 December 2016 and 2015, the Group purchased short-term investments from major banks in the PRC.

The short-term investments as at 31 December 2016 was subject to maturity of 2 months (2015: subject to maturity of 1 month). The estimated return from these short-term investments was 2.6% per annum (2015: 3.6% per annum). The accrued and unpaid interest will be received upon redemption of the investment from the banks. The Directors consider that the carrying value of short-term investments approximates their fair value at end of the reporting period.

16. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**22,252**	13,669
Other payables and accruals *(Note (b))*	**41,511**	49,450
Accrual of construction costs	**64,071**	44,214
	127,834	107,333

Notes:

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

	2016	2015
	HK$'000	*HK$'000*
Within one year	**18,669**	9,232
Over one year but less than two years	**2,974**	4,088
Over two years but less than three years	**609**	349
	22,252	13,669

(b) As at 31 December 2016, among the other payables and accruals, an amount of HK$3,897,000 (2015: HK$3,371,000) was due to 中國寰島（集團）公司, a wholly-owned subsidiary of China Chengtong Holdings Group Limited ("**CCHG**"). The balance was unsecured, interest-free and repayable on demand.

17. BANK BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Unsecured bank borrowings		
Short-term bank loans	**77,280**	–

The short-term bank loans were unsecured and repayable within one year from the end of the reporting period.

The effective interest rates of the bank loans ranged from 3.91% to 4.79% per annum at 31 December 2016.

18. CORPORATE BONDS

	2016	2015
	HK$'000	*HK$'000*
Corporate bonds	**667,219**	694,757

The corporate bonds are fixed rate bonds issued by the Company (the "**Bonds**") on 9 May 2014 with a principal amount of RMB600,000,000 and a fixed interest at 4.0% per annum.

The Bonds will mature on 9 May 2017 and are guaranteed by an irrevocable standby letter of credit denominated in RMB issued by Agricultural Bank of China Limited, Beijing Branch. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting taxes of Hong Kong or the PRC. At any time following the occurrence of a change of control, the holder of any Bonds will have the right, at such holder's option, to require the Company to redeem all, but not some, of that holder's Bonds at their principal amount plus accrued interest to the change of control put date. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the maturity date.

Net proceeds from the issue of the Bonds was reduced by transaction costs amounted to approximately RMB34,248,000. The effective interest rate of the Bonds is approximately 6.11% per annum.

19. SHARE CAPITAL

	2016		2015	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Issued and fully paid:				
At 1 January	**5,808,735**	**2,185,876**	4,840,735	1,224,214
Subscription of shares during the period	**–**	**–**	968,000	977,680
Share issuance expenses	**–**	**–**	–	(16,018)
At 31 December	**5,808,735**	**2,185,876**	5,808,735	2,185,876

20. CONTINGENT LIABILITIES

(a) At 31 December 2016, the Group had contingent liabilities in relation to guarantees of approximately HK$117,072,000 (2015: HK$157,478,000) 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.

(b) On 29 March 2016, the Group entered into a guarantee agreement with China Chengtong Coal Investment Limited ("**Chengtong Coal**"), a subsidiary of the ultimate holding company of the Company, pursuant to which the Group has provided a guarantee by pledging its buildings with net book value of approximately HK$50,928,000 as at 31 December 2016 and issuing a guarantee letter to the Supreme People's Court of Guangxi Zhuang Autonomous Region to extent of approximately RMB53,540,000 (approximately HK$59,965,000) for a period of three years (or such shorter period as may be approved by the court). The guarantee was for the purpose of supporting a property preservation order on certain subject assets in a litigation between Chengtong Coal and its debtors.

20. CONTINGENT LIABILITIES (CONTINUED)

On 29 March 2016, the Group also entered into a deed of counter-indemnity with China Chengtong Hong Kong Company Limited ("**CCHK**") pursuant to which CCHK agreed to indemnify the Group in full for its liabilities and loss, if any, which may arise from the above guarantee provided by the Group.

Details in relation to the guarantee agreement and the deed of counter-indemnity are set out in the Company's announcement dated 29 March 2016.

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.

As at 31 December 2016 and 2015, the Group 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 to be pending or threatened against the Group.

21. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**5,309**	5,912

MANAGEMENT DISCUSSION AND ANALYSIS

I. Results And Dividend

For the year ended 31 December 2016, the Group was mainly engaged in five core businesses and concentrated within the territory of the PRC, including property development, property investment, finance leasing, bulk commodity trade and hotel and marine travelling services. The price of bulk commodity including coal and non-ferrous metals rebounded after bottomed out. The turnover of the coal trading business of the Group amounted to approximately HK$511.85 million, representing approximately 71% of the consolidated turnover of the Group and was the major turnover of the Group.

In 2015, by virtue of the downturn in the market of non-ferrous metals, the Group temporarily suspended the trading of bulk commodity in non-ferrous metals. The market of bulk commodity including coal and non-ferrous metals is expected to continue to rebound in 2017. The Group will continue to expand the scale of its coal business in a stable way and resume the trading of other bulk commodities. Due to the successful implementation of national policies such as "elimination of excess production capacity" and "reduction of inventory" since last year, the demand for and the price of coal continued to increase in the second half of the year, resulting in a profit in the trading of coal business under bulk commodity trade segment in the year as compared to a loss in last year. For property development business, due to the increase in unit price for the sale of residential properties, the operating profit increased as compared to that for last year. The profit from finance leasing increased as the Group expanded the business of finance leasing. The turnover of the hotel and marine travelling business decreased as compared to that for last year due to adverse weather and intensified market competition. Profit before tax of the Group for the year amounted to approximately HK$99.28 million, representing a decrease of approximately 21% as compared to that for last year.

During the year under review, the Group recorded a turnover of approximately HK$716.56 million (2015: approximately HK$576.53 million), representing an increase of approximately HK$140.03 million, or approximately 24%, as compared to that for 2015. The increase in turnover was mainly due to the national policy on "elimination of excess production capacity" which led to the continuous increase in the demand for and the price of coal in the second half of the year, which in turn led to an increase of approximately HK$137.50 million, or approximately 37%, in the turnover of the coal trading business under the bulk commodity trade segment as compared to that for last year. Moreover, the Group reinforced the expansion of finance leasing business, resulting in an increase of approximately HK$10.52 million, or approximately 26%, in the turnover of finance leasing as compared to that for last year.

During the year, the Group recorded a profit before tax of approximately HK$99.28 million, which represented a decrease of approximately HK$27.04 million, or approximately 21%, as compared with the profit before tax of approximately HK$126.32 million in 2015. This is mainly attributable to several one-off other income and expenses with a net income amount of approximately HK$28.68 million recorded in the same period of last year, including (i) the reversal of a prepayment in the amount of approximately HK$16.86 million that had been impaired in previous years; (ii) the reversal of other payables amounting to approximately HK$5.02 million in relation to the disposal of two subsidiaries by the Group in previous years; (iii) interest income of approximately HK$7.16 million from the consideration receivable from disposal of Chengtong Coal in previous years; (iv) the loss of approximately HK$5.68 million (net of the insurance compensation) on disposal of a marine platform destroyed by typhoon; and (v) the unconditional government grant of approximately HK$5.32 million for subsidising the Group's property development business. None of the above one-off other income and expenses were recorded in the Group during the year under review, resulting in a decrease in the profit before tax during the year as compared to that for last year. Profit attributable to shareholders for the year under review amounted to approximately HK$63.80 million (2015: approximately HK$81.83 million), representing a decrease of approximately HK$18.03 million, or approximately 22%, as compared to that for last year.

The Board did not recommend the declaration of any final dividend for the year ended 31 December 2016 (2015: Nil).

II. Business Review

Segment Revenue and Results

During the year under review, the Group is principally engaged in five major business segments, including property investment, property development, finance leasing, bulk commodity trade and hotel and marine travelling services.

(1) Property Investment

The rental income from property investment of the Group came from CCT-Champs-Elysees project in Zhucheng of Shandong Province. As at 31 December 2016, the leasable area of the project was approximately 7,565 square metres (2015: approximately 4,849 square metres), representing an increase of approximately 2,716 square metres as compared to that of last year. The increased leasable area was leased for use as a kindergarten from September 2016 with a rent-free period of one year. Due to the renewal of six existing leases in the second half of last year with an increase of rent by approximately 20% on average for new leases, rental income of approximately HK$2.16 million (2015: approximately HK$1.97 million) and profit before tax of approximately HK$1.97 million were recorded for the year under review, representing an increase of approximately 10% and 15% respectively, as compared to those for last year. All leased properties were used for commercial purposes.

(2) Property Development

The sales revenue from property development of the Group was generated from CCT-Champs-Elysees project in Weifang of Shandong Province of the PRC, while no sales revenue was recorded for the project of Chengtong International City in Dafeng of Jiangsu Province during the year. Details of the two projects are as follows:

(i) Zhucheng of Shandong Province – CCT-Champs-Elysees

The CCT-Champs-Elysees project, wholly owned by the Group, is situated in part of a parcel of land located at the northern side of Eastern Section of No. 1 Mizhou West Road, Zhucheng City, Shandong Province, the PRC (Lot No. 01213003). Such project had a total site area of approximately 146,006 square metres and was developed in three phases. The project was situated in a typical fourth-tier city where there were over-supply and saturated demand in the real estate market. During the year under review, residential apartments of approximately 16,917 square metres, commercial space of approximately 0 square metre and underground ancillary apartments of approximately 570 square metres (2015: residential apartments of approximately 17,061 square metres, commercial space of approximately 384 square metres and underground ancillary apartments of approximately 401 square metres respectively), 15 underground parking spaces and 35 ground-level parking spaces (2015: 4 underground parking spaces and 4 ground parking spaces) of phase I and phase II of the project were sold and delivered. The average unit selling price per square metre for residential apartments of the project were approximately HK$5,801 (2015: approximately HK$5,585), representing an increase of approximately 4% as compared to the average unit selling price of residential apartments in 2015. The sales revenue of this project was approximately HK$103.60 million during the year under review (2015: approximately HK$101.04 million), representing an increase of approximately HK$2.56 million, or approximately 3%, as compared to that for last year. Operating profit before tax amounted to approximately HK$20.66 million (2015: approximately HK$19.16 million), representing an increase of 8% as compared to that for last year.

As at 31 December 2016, the unsold or sold-but-not-delivered area of phase I and phase II of CCT-Champs-Elysees project included residential apartments of approximately 20,542 square metres (as at 31 December 2015: approximately 37,458 square metres) and commercial spaces of approximately 1,652 square metres (as at 31 December 2015: approximately 1,652 square metres) (excluding the leased area of approximately 7,565 square metres (as at 31 December 2015: approximately 4,849 square metres)).

Construction works of phase III of CCT-Champs-Elysees project have started and are expected to be completed and delivered during the period from 2017 to 2020.

(ii) *Dafeng of Jiangsu Province – Chengtong International City*

The initial development area of "Chengtong International City", which is located at North Portion of Lot No. 2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC, 66.67% equity interests of which were held by the Group and with a total site area of approximately 118,974 square metres, was developed in two sections. During the year under review, as no sales revenue was recorded for this project, the loss before tax amounted to approximately HK$1.48 million, representing a decrease of approximately HK$2.10 million, or approximately 30%, as compared to that for last year.

As at 31 December 2016, the unsold area of residential apartment in Chengtong International City project was approximately 11,022 square metres (as at 31 December 2015: approximately 11,022 square metres) and the unsold area of commercial space was approximately 9,540 square metres (as at 31 December 2015: approximately 9,540 square metres).

The two aforementioned projects altogether brought a turnover of approximately HK$103.60 million (2015: approximately HK$101.04 million) to the property development segment of the Group, representing an increase of approximately 3% as compared to that for last year. Profit before tax from property development business for the year under review amounted to approximately HK$19.18 million (2015: approximately HK$22.38 million), representing a decrease of approximately 14% as compared to that for last year, as a one-off and unconditional grant for the infrastructure fee for phase II of the CCT-Champs-Elysees project amounting to approximately HK$5.32 million was provided by the local government last year while there was no such grant during the year under review.

Land Resources Development

The Group will continue to exit the property development business in certain third-tier and fourth-tier cities with lower profitability as opportunities arise. During the year under review, the Group has pursued to dispose of the land in Dafeng of Jiangsu Province. 誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited), a 66.67%-owned subsidiary of the Company, held a parcel of industrial land situated in the south of Shugang Highway, Dafeng City, Jiangsu Province, the PRC and three parcels of residential and commercial land situated at lot number 1 to 3 in the Port Serviced Area, Ocean Economic Development Zone, Dafeng City, Jiangsu Province. On 3 July 2014, the Group entered into two resumption agreements with Dafeng Land Reserve Center and Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone ("**Dafeng Harbour Committee**") and two compensation agreements with the Dafeng Harbour Committee and 江蘇大豐海港控股集團有限公司 (unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited) in relation to the resumption of two plots of land in Dafeng of Jiangsu Province at the total compensation amount of RMB219.92 million (equivalent to approximately HK$246.31 million). Details of the resumption of land are set out in the Company's announcement dated 3 July 2014. However, the compensation amount has not been finalised and the resumption of land has not been completed as of 31 December 2016 and the date of this announcement.

(3) Finance Leasing

During the year under review, the interest income and profit before tax of the Group from finance leasing business were approximately HK$51.50 million (2015: approximately HK$40.99 million) and approximately HK$47.81 million (2015: approximately HK$36.48 million) respectively, representing an increase of approximately 26% and 31% respectively as compared to that for last year. The main reasons were: (i) additional finance leasing transactions with an aggregate amount of approximately HK$459.20 million were completed during the year under review, resulting in an increase in the balance of loans receivable as at 31 December 2016 to approximately HK$663.20 million, representing a significant increase of approximately HK$238.74 million, or approximately 56%, as compared to the loan receivables of approximately HK$424.46 million as at 31 December 2015, and (ii) a financing consultancy service was provided during the year under review, resulting in a service income of approximately HK$7.73 million (2015: approximately HK$12.28 million).

(4) Bulk Commodity Trade

By virtue of the successful implementation of national policies such as "elimination of excess production capacity" and "reduction of inventory", the demand for and the price of coal continued to increase in the second half of the year. Therefore, the coal trading business under the bulk commodity trade segment achieved a turnaround of its results as compared to last year. The sales volume of coal trading during the year under review was approximately 1.06 million tonnes (2015: approximately 0.82 million tonnes) and the turnover was approximately HK$511.85 million (2015: approximately HK$374.35 million), representing an increase of approximately 29% and 37% respectively as compared to those of last year. Due to the continuous increase in the demand for and the price of coal in the second half of the year, the gross profit margin for the year increased to 4% (2015: approximately 1.3%). As such, profit before tax was approximately HK$16.01 million as compared to a loss before tax of approximately HK$3.56 million for last year, realising a turnaround.

Bulk commodity trade business segment recorded a turnover of approximately HK$511.85 million during the year under review (2015: approximately HK$374.35 million), representing an increase of approximately 37% as compared to that of last year. Profit before tax amounted to approximately HK$16.01 million (2015: approximately HK$62.99 million), representing a decrease of approximately HK$46.98 million as compared to that of last year. The decrease in profit was mainly due to the absence of interest income of approximately HK$62.88 million arising from the financing arrangements for bulk commodity trade in the year under review as compared with last year.

(5) Hotel and Marine Travelling Services

The Group principally engages in the business of marine travelling and hotel operation in Yalong Bay Tourism Development zone, Jiyang Town, Sanya City, Hainan Province, the PRC, and travel agency business in Hainan Province, the PRC.

During the year under review, the turnover of the marine travelling business amounted to approximately HK$39.44 million (2015: approximately HK$48.42 million), representing a decrease of approximately HK$8.98 million, or approximately 19%, as compared to that for last year. The decrease in turnover was mainly attributable to the decrease in business days caused by adverse weather and the decrease in service income of certain marine travelling facilities due to the increased effort of the government on tourism environment management. The gross profit margin of marine travelling business for the year under review was approximately 64% (2015: approximately 67%), representing a decrease of approximately 3% as compared to that of last year. As the high-end entertainment Huandao Jiaolong sightseeing submarine was a pioneer product in the PRC, there were no existing regulations to govern the same. Therefore, the application for the relevant operating license was still in progress and no revenue was generated by the submarine for the year under review.

During the year under review, the turnover of hotel business was approximately HK$7.60 million (2015: approximately HK$9.76 million), representing a decrease of approximately HK$2.16 million, or approximately 22%, as compared to that for last year. The decrease in turnover was mainly due to the relatively outmoded hotel facilities and fierce industry competition. The Group is proactive in maximising revenue and minimising expenditures. The gross profit margin of the hotel business for the year under review was approximately 86% (2015: approximately 87%), representing a decrease of approximately 1% as compared with that for last year.

Currently, the travel agency business provides online sale services of tourism products in Hainan mainly through both of the operations of 椰殼旅行網 (yeketrip.com) and Yeke Micro-Mart (椰殼微商城). The year of 2016 was the first year of the online operation of the Yeke E-commerce Platform (椰殼電商平台). During the year, the online sales platforms attracted more than 20,000 followers in WeChat public account through a series of marketing promotion activities and has achieved a satisfactory brand promotion.

The three aforementioned businesses altogether contributed a segment turnover of approximately HK$47.45 million (2015: approximately HK$58.19 million) to the Group, representing a decrease of approximately 19% as compared with that for last year. Segment profit before tax amounted to approximately HK$7.45 million (2015: approximately HK$6.66 million), representing an increase of approximately 12% as compared with that for last year. The increase in the segment profit before tax was mainly due to the fact that the profit before tax of last year was reduced by a net loss of approximately HK$5.68 million arising from the disposal of a marine platform destroyed by typhoon last year.

Other Income

During the year under review, other income mainly included interest income from deposits, short-term investments and available-for-sale financial assets of approximately HK$56.60 million (2015: approximately HK$84.81 million), net exchange gains of approximately HK$33.36 million (2015: approximately HK$27.94 million) and interest income from entrusted loan receivables of approximately HK$2.46 million (2015: approximately HK$10.47 million). The Group utilized certain internal capital to invest in various available-for-sale financial assets with relevant aggregate investment amount of approximately HK$513.13 million and an annual return rate from approximately 3.9% to 9.2%. The investment did not affect the normal operation of the Group, and allowed the Group to obtain an ideal return. During the year under review, the total amount of other income was approximately HK$98.49 million (2015: approximately HK$172.95 million), representing a decrease of approximately HK$74.46 million, or approximately 43% when compared that for last year. The decrease in other income was mainly attributable to (1) the decrease in the average annualised return rate of the available-for-sale financial assets and the deposits in banks and other financial institutions during the year under review, which in turn resulted in a decrease in the relevant interest income of approximately HK$28.21 million as compared to that for the same period of last year; and (2) the recording of various one-off other income with an aggregate amount of approximately HK$41.12 million last year, including (i) the reversal of prepayment impairment of approximately HK$16.86 million which was impaired in the previous years; (ii) the reversal of other payables of approximately HK$5.02 million in relation to the disposal of two subsidiaries by the Group in previous years; (iii) the interest income of approximately HK$7.16 million from the consideration receivables for the disposal of a subsidiary, namely Chengtong Coal, in previous years; (iv) the insurance compensation of approximately HK$6.76 million in connection with the disposal of a marine platform which was destroyed by typhoon last year; and (v) the unconditional government grant of approximately HK$5.32 million for subsidising the Group's property development business, and while no such one-off other income was recorded during the year under review, other income for the year under review has decreased when compared with that for 2015.

Selling and Administrative Expenses

During the year under review, selling expenses amounted to approximately HK$12.32 million (2015: approximately HK$15.22 million), representing a decrease of approximately HK$2.90 million, or approximately 19%, as compared to that of last year, which was primarily due to the disposal of the marine platform by the Group last year, led to an elimination of relevant depreciation and equipment maintenance expenses by approximately HK$2.94 million during the year.

During the year under review, administrative expenses amounted to approximately HK$86.33 million (2015: approximately HK$107.48 million), representing a decrease of approximately HK$21.15 million, or approximately 20%, as compared to that of last year, which was primarily due to (i) the absence of the loss amounting to approximately HK$12.42 million arising from the disposal of a marine platform which was destroyed by a typhoon as recorded in last year in the year under review; (ii) a substantial decrease of approximately HK$3.83 million in bank charges for the financing in relation to bulk commodity trade as compared to that for last year; and (iii) the decrease of approximately HK$0.90 million in business tax levied for entrusted loans as compared with that for last year.

Finance Costs

During the year under review, finance costs incurred by the Group amounted to approximately HK$32.84 million (2015: approximately HK$40.58 million), representing a drastic decrease of approximately HK7.74 million, or approximately 19%, as compared to that of 2015. Finance costs mainly included interest expenses and amortisation costs in respect of the RMB-denominated bonds issued by the Company amounting to approximately HK$32.82 million (2015: approximately HK$39.39 million), and interest on bank loans amounting to approximately HK$0.02 million (2015: approximately HK$0.48 million), representing a decrease of approximately 17% and 96% respectively as compared to those of 2015. No interest on discounted bill with recourse was recorded by the Group for the year under review (2015: approximately HK$0.71 million). The significant decrease in finance cost was mainly due to the capitalisation of finance cost amounting to approximately HK$9.20 million (2015: approximately HK$4.16 million), representing an increase as compared with last year, and the suspension of the financing business for bulk commodity trade during the year under review which resulted in a decrease in the related cost.

III. Outlook

Looking back 2016, the global economy was experiencing a tough time amid uncertainties and a further slowdown was seen in economic growth. The withdrawal of the United Kingdom from the European Union, the successful appointment of Donald J. Trump as the United States president and other unexpected events together with various factors, among others, the downward pressure of the PRC economy and the forecast on the increase of interest rate by The Federal Reserve Board, had resulted in the depreciation of Renminbi against U.S. dollars. Under the national strategy of "One Belt, One Road", an increasing number of enterprises conducted mergers and acquisitions in overseas markets. In 2016, the scale of overseas mergers and acquisitions conducted by Chinese enterprises hit a historic high with over USD200 billion, ranking the first in the world.

Looking forward, a stagnant recovery in the global economy is expected to continue in 2017 and the uprising of trade protectionism is expected to lead to a greater fluctuation in the global economy and capital markets. Regarding foreign investments, with the implementation of the national strategy of "One Belt, One Road", the establishment of Asian Infrastructure Investment Bank and the continuous depreciation pressure of Renminbi, it is expected that more domestic enterprises of the PRC will be rolling out preliminary policies on "internationalization" and "going-out" and allocate their assets in overseas markets in 2017 in order to secure competitive resources such as technology, market and raw materials, and create values therefrom.

Facing new challenges and opportunities, the Group will pay close attention to the internal and external economic situations and continue to push forward the reorganization of internal structure and the optimization of businesses. Meanwhile, it will further enhance its strategic directions by exploring new business areas and promoting the joint development of "existing businesses" and "newly explored businesses". In particular, it will pay efforts in the integrated development of existing businesses such as finance leasing, hotel and marine travelling services and trading of coal and the resumption of the trading of other bulk commodities under the condition of controllable risk. Also, it will explore opportunities in foreign investment, mergers and acquisitions and cross-border asset management and related businesses by making use of the resource advantages of its controlling shareholder (as a state-owned capital operation company).

In respect of the integrated development and the transformation and upgrade of existing businesses, regarding hotel and marine travelling services, the Group will proceed with ongoing proposed spin-off of travelling business. Regarding property development and property investment, the Group will continue to promote the Cuidao project in upgrading the service catered for elderly and the development of the remaining parcel of land of the CCT-Champs-Elysees project in Zhucheng of Shandong Province, and also speed up its pace to divest from the Dafeng project and utilize the cash retrieved in the strategic transformation of the Group. Regarding finance leasing, with the foundation of existing businesses, the Group will further strengthen and enhance its business capability, recruit quality talents, and develop the function of overseas financing and optimize the financial structure of the lessees by utilizing controllable bank loans to create its core competitiveness. Regarding bulk commodity trading, the Group temporarily suspended its trading of non-ferrous metals in 2015 and only retained the trading of coal. With the continuous increase in the prices of bulk commodity including coal and non-ferrous metals since last year, the Group intends to continue carrying on the trading of coal business in a prudent manner under stringent risk management and to resume the trading of other bulk commodities. Meanwhile, the Group will also foster the business of sale of electricity which was newly developed last year.

In respect of newly-explored businesses: CCHG, the controlling shareholder of the Group, being one of the only two State-owned capital operation companies, will take a more significant role in the layout and structural adjustment of the State economy and central enterprises in the future. The Group, as the only overseas listed platform of CCHG, will fully develop, utilize and integrate the resource advantages of the controlling shareholder in exploring opportunities in foreign investment, mergers and acquisitions and cross-border asset management and related businesses so as to upgrade its operation to international standard, create new drivers for profit growth and maximize the values for shareholders. Moreover, following the new direction of its business, the Group will increase its effort in recruiting talents, reinforce internal control management and establish relevant mechanisms, improve the capability in risk management and set up a complete internal control system

In recent years, the Group has been adopting strong and powerful measures to adjust its operational strategy and optimize its management and control model. The Group has currently maintained quality assets with satisfactory liquidity which has laid a solid foundation for strategic transformation. The Board is full of confidence for the future development of the Group.

IV. Asset Structure, Liquidity And Financial Resource

As at 31 December 2016, equity attributable to shareholders of the Company amounted to approximately HK$2,687.07 million (as at 31 December 2015: approximately HK$2,760.87 million), representing a decrease of approximately HK$73.80 million as compared to that as at 31 December 2015, which was primarily due to the depreciation of RMB during the year, which led to a decrease in exchange reserve of the Group of approximately HK$143.00 million, and therefore offsetting the profit attributable to shareholders of the Company during the year.

Total assets of the Group as at 31 December 2016 were approximately HK$3,846.90 million (as at 31 December 2015: approximately HK$3,837.06 million), representing an increase of approximately HK$9.84 million as compared to that as at 31 December 2015. Such increase was primarily due to the recording of the profit attributable to shareholders of the Company amounting to approximately HK$63.80 million and the increase in bank balance and cash through bank loans of approximately HK$77.28

million during the year under review which offset the depreciation of RMB during the year and reduced the impact on the Group's total assets. As at 31 December 2016, total current assets of the Group amounted to approximately HK$3,049.62 million (as at 31 December 2015: approximately HK$3,092.12 million) and accounted for approximately 79% of the total assets and represented a decrease of approximately HK$42.50 million as compared with the total current assets as at 31 December 2015. The total non-current assets were approximately HK$797.28 million (as at 31 December 2015: approximately HK$744.94 million) and accounted for approximately 21% of the total assets and represented an increase of approximately HK$52.34 million as compared with the total non-current assets as at 31 December 2015. The increase was mainly due to the additional finance leasing transactions of the Group during the year under review with a total financing amount of approximately HK$459.20 million, which resulted in the increase in non-current loan receivables. As at 31 December 2016, total liabilities of the Group amounted to approximately HK$1,022.09 million (as at 31 December 2015: approximately HK$932.81 million), representing an increase of approximately HK$89.28 million as compared with the total liabilities as at 31 December 2015, which was primarily due to the unsecured bank loans of approximately HK$77.28 million obtained by 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), a subsidiary of the Company, with a view to reduce value-added tax and replenish operating capital. The total non-current liabilities of the Group as at 31 December 2016 amounted to approximately HK$73.09 million (as at 31 December 2015: approximately HK$769.37 million) and accounted for approximately 7% of the total liabilities and represented a decrease of approximately HK$696.28 million as compared with the total non-current liabilities as at 31 December 2015. The total current liabilities of the Group as at 31 December 2016 amounted to approximately HK$949.00 million (as at 31 December 2015: approximately HK$163.45 million) and accounted for approximately 93% of the total liabilities and represented an increase of approximately HK$785.55 million as compared with the total current liabilities as at 31 December 2015, which was primarily because the bonds issued by the Company amounting to RMB600 million (equivalent to approximately HK$667.22 million) was classified as current liabilities as at 31 December 2016.

Cash and deposits held by the Group (including structured bank deposits, deposits in other financial institutions, bank balances and cash) amounted to approximately HK$1,358.09 million (as at 31 December 2015: approximately HK$1,571.66 million) and accounted for approximately 35% and 48% of total assets and net assets respectively, and represented a decrease of approximately HK$213.57 million as compared with the cash and deposits as at 31 December 2015, which was primarily due to the increase in the purchase of available-for-sale financial assets of approximately HK$102.99 million during the year under review.

V. Debt to Equity Ratio

As at 31 December 2016, the corporate bonds issued by the Group was approximately HK$667.22 million (as at 31 December 2015: approximately HK$694.76 million) and bank borrowings amounted to approximately HK$77.28 million (as at 31 December 2015: Nil), totalling approximately HK$744.50 million (as at 31 December 2015: approximately HK$694.76 million), representing an increase of approximately HK$49.74 million as compared with that as at 31 December 2015. The corporate bonds were denominated in RMB at the fixed annualised interest rate of 4%. The interest-bearing bank borrowings were denominated in RMB at the fixed annualised interest rate ranging from 3.91% to 4.79%, whereas other loans were denominated in HKD and non-interest bearing. As at 31 December 2016, the debt to equity ratio (expressed as the sum of corporate bonds and bank borrowings divided by total equity) was approximately 26%. Although this represented an increase of approximately 2% as compared to the debt to equity ratio of approximately 24% as at 31 December 2015, the Group still maintained a low level of indebtedness with solid fiscal position.

VI. Exposure in Exchange Rate Fluctuations

The Group principally conducted its businesses in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. Any fluctuation in the exchange rate of HKD against RMB may have an impact on the Group's results. As at 31 December 2016, net assets of the Group's business within the territory of the PRC was approximately RMB2,129.07 million. According to HKASs, such amount should be converted at the exchange rate applicable at the end of the reporting period. Due to the depreciation of RMB during the year under review, the net assets of the Group decreased, and the exchange reserves decreased by approximately HK$143.00 million. Although foreign currency exposure does not pose significant risks on the Group and currently, the Group does not have any hedging measures against such exchange risks, the Group will closely monitor the risks arising from such currency fluctuation.

VII. Treasury Policies

The business activities and operations of the Group are mainly carried out in the Mainland China and Hong Kong, with transactions denominated in RMB, HKD and US dollars, which expose the Group to foreign currency risk. The Group currently does not have any foreign currency hedging policy but maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised.

As at 31 December 2016, the corporate bonds and bank borrowings of the Group were denominated in RMB at a fixed interest rate, and the Group did not have any borrowings based on floating interest rate.

VIII. Pledge of Assets

(a) As at 31 December 2016, bank deposits of approximately HK$1.64 million (as at 31 December 2015: approximately HK$1.74 million) of the Group were pledged for bank facilities granted to mortgagees.

(b) On 29 March 2016, the Group entered into a guarantee agreement with Chengtong Coal, a subsidiary of the ultimate holding company of the Company, pursuant to which the Group has provided a guarantee by pledging its buildings with net book value of approximately HK$50,928,000 as at 31 December 2016 and issuing a guarantee letter to the Supreme People's Court of Guangxi Zhuang Autonomous Region to the extent of approximately RMB53,540,000 (approximately HK$59,965,000) for a period of three years (or such shorter period as may be approved by the court). The guarantee provided to Chengtong Coal was for the purpose of supporting a property preservation order on certain subject assets in a litigation between Chengtong Coal and its debtors.

IX. Commitments and Guarantees

Please refer to notes 20(a) and 20(b) to the financial statements in this announcement.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2016, the Group employed a total of 331 employees (as at 31 December 2015: 316) of which 14 (as at 31 December 2015: 13) were based in Hong Kong and 317 (as at 31 December 2015: 303) were based in the Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend so as to maintain its competitiveness. Apart from basic salary, discretionary bonus and other incentives are offered to employees of the Group to reward their performance and contributions. The emoluments of the Directors of the Company are decided by the remuneration committee of the Company ("**Remuneration Committee**"), having regard to the Company's corporate goals, the individual performance of the Directors 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 shares of the Company. The Company has also adopted a share award scheme ("**Share Award Scheme**"), under which shares of the Company will be awarded, with the approval of the Board, to selected employees to recognise their contribution and to give them incentives thereto in order to retain them for the continual operation and development of the Group, as well as to attract suitable personnel for the growth and further development of the Group.

FINAL DIVIDEND

The Directors did not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, the trustee of the Share Award Scheme purchased an aggregate of 7,670,000 existing shares of the Company on the Stock Exchange for the purpose of the Share Award Scheme at an aggregate consideration of approximately HK$4.48 million.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct ("**Code of Conduct**") regarding Directors' securities transactions on terms more exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Code of Conduct and the Model Code during the year ended 31 December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2016, 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 section headed "Biographies of Directors and Senior Management" in the annual report of the Company to be issued for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to the healthy and sustainable development of the Group. In the opinion of the Directors, the Company has complied with all the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") comprised three independent non-executive Directors, namely Mr. Lee Man Chun, Tony (chairman of the Audit Committee), Professor Chang Qing and Professor He Jia. The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, risk management and internal controls and results of the Group. The audited consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

Pursuant to the provisions of the CG Code, the Board has established the Remuneration Committee. The Remuneration Committee comprised two independent non-executive Directors, namely Professor He Jia (chairman of the Remuneration Committee) and Mr. Lee Man Chun, Tony, and an executive Director, namely Mr. Wang Hongxin. The Remuneration Committee normally meets for reviewing the remuneration policy and structure, determining 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 ("**Nomination Committee**") which is formed by two independent non-executive Directors, namely Professor Chang Qing (the chairman of the Nomination Committee) and Mr. Lee Man Chun, Tony, and an executive Director and the chairman of the Board, namely Mr. Yuan Shaoli. 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 ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement 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 HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange 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 2016 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, 23 February 2017

As at the date of this announcement, the executive Directors are Mr. Yuan Shaoli, Mr. Wang Hongxin, Mr. Wang Tianlin and Mr. Zhang Bin; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.