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 2017 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2017 amounted to approximately HK$1,353.12 million, representing an increase of approximately 89% as compared with that of last year.
- Profit after tax amounted to approximately HK$23.55 million, representing a decrease of approximately 65% as compared with that of last year.
- Gross profit margin for core business was approximately 9%, representing a decrease of approximately 9% as compared with that of last year.
- Earnings per share was approximately HK0.40 cent, representing a decrease of approximately HK0.70 cent as compared with that of last year.
- As at 31 December 2017, the cash (including pledged bank deposits, deposits in other financial institution, bank balances and cash) held by the Group amounted to approximately HK$839.91 million.
- As at 31 December 2017, the debt to equity ratio (expressed as interest-bearing bank borrowings divided by total equity) was approximately 7%, representing a decrease of approximately 19% as compared with that of last year.
- The Board has resolved not to declare any final dividend for the year ended 31 December 2017.

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 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Turnover	*4*	**1,353,119**	716,559
Cost of sales		**(1,227,387)**	(584,246)
Gross profit		**125,732**	132,313
Other income	*4*	**54,833**	98,491
Selling expenses		**(14,591)**	(12,320)
Administrative expenses		**(99,420)**	(86,328)
Fair value gain/(loss) on investment properties		**100**	(80)
Fair value (loss)/gain on held-for-trading securities		**(106)**	45
Finance costs		**(12,948)**	(32,843)
Profit before income tax		**53,600**	99,278
Income tax expense	*5*	**(30,049)**	(31,908)
Profit for the year	*6*	**23,551**	67,370
Profit for the year attributable to:			
Owners of the Company		**23,363**	63,804
Non-controlling interests		**188**	3,566
		23,551	67,370
Earnings per share	*8*		
– Basic		**HK0.40 cent**	HK1.10 cents
– Diluted		**HK0.40 cent**	HK1.10 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
Profit for the year	**23,551**	67,370
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**179,072**	(152,205)
Net change in fair value of available-for-sale financial assets	**(41,470)**	9,894
Transfer to profit or loss upon disposal of available-for-sale financial assets	**483**	–
Total comprehensive income for the year	**161,636**	(74,941)
Total comprehensive income attributable to:		
Owners of the Company	**151,541**	(69,300)
Non-controlling interests	**10,095**	(5,641)
	161,636	(74,941)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**202,715**	158,713
Prepaid land lease payments		**196,781**	188,949
Investment properties		**63,816**	58,934
Deposits paid		**4,966**	37,027
Loans receivable		**383,902**	353,654
Available-for-sale financial assets	*10*	**5,246**	–
		857,426	797,277
Current assets			
Properties held for sale		**251,688**	159,716
Properties under development		**109,824**	241,042
Properties held for development		**296,196**	276,450
Inventories		**4,281**	6,145
Trade and other receivables	*9*	**129,040**	97,879
Loans receivable		**358,359**	309,545
Amount due from a non-controlling shareholder of a subsidiary		**18,000**	21,318
Loan to a related party		**–**	36,823
Prepaid land lease payments		**5,665**	5,287
Entrusted loan receivables		**–**	7,840
Available-for-sale financial assets	*10*	**700,231**	513,130
Held-for-trading securities		**1,173**	1,279
Short-term investments		**–**	13,440
Taxation recoverable		**3,004**	–
Pledged bank deposits		**4,006**	1,640
Deposits in other financial institution		**86,200**	428,186
Bank balances and cash		**749,708**	929,903
		2,717,375	3,049,623

	Notes	2017 HK$'000	2016 HK$'000
Current liabilities			
Trade and other payables	*11*	**156,869**	127,834
Deposits received from sale of properties		**128,921**	72,920
Taxation payable		**5,929**	3,148
Bank borrowings		**214,400**	77,280
Unsecured other loan		**600**	600
Corporate bonds		**–**	667,219
		506,719	949,001
Net current assets		**2,210,656**	2,100,622
Total assets less current liabilities		**3,068,082**	2,897,899
Non-current liabilities			
Deferred tax liabilities		**81,635**	73,088
		81,635	73,088
Net assets		**2,986,447**	2,824,811
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,185,876**	2,185,876
Reserves		**652,738**	501,197
		2,838,614	2,687,073
Non-controlling interests		**147,833**	137,738
Total equity		**2,986,447**	2,824,811

NOTES

For the year ended 31 December 2017

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

The Company is a limited company incorporated in Hong Kong. The address of its registered office and its principal place of business is Suite 6406, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company. The Group is principally engaged in investment holdings, property development, property investment, finance leasing, bulk commodity trading and hotel and marine travelling services.

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.

In prior years, the Company regarded Renminbi ("**RMB**") as its functional currency. During the year, the directors of the Company have re-evaluated the underlying investment and financing activities and strategy of the Company and these activities have increasingly placed greater reliance on Hong Kong dollars ("**HK$**"). As such, during the year ended 31 December 2017, the directors of the Company have determined that the functional currency of the Company be changed from RMB to HK$. The change in the functional currency of the Company has been accounted for prospectively from the date of change in accordance with Hong Kong Accounting Standard ("**HKAS**") 21 "The Effect of Changes in Foreign Exchange Rates". On the date of change in functional currency, all items were translated into HK$ at the exchange rate on that date.

The consolidated financial statements continues to be presented in HK$ as the directors consider that HK$ is the appropriate presentation currency since the Company is incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited.

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary 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 2016 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 2017 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

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 2017:

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Other than as noted below, the adoption of the amendments has no material impact on the Group's financial statements.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to additional disclosure to the consolidated financial statements.

2.2 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.

Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

[3] 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.

3. SEGMENT INFORMATION

The information reported to the executive directors of the Company, who are the chief operating decision makers for the purpose of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. 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) Finance leasing – providing finance leasing services including arranging sale and leaseback transactions

(4) Bulk commodity trade – trading of coal, steel and non-ferrous metal

(5) Hotel and marine travelling services – providing hotel and marine travelling services

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 2017

	Property development *HK$'000*	**Property investment** *HK$'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	**109,212**	**2,412**	**52,693**	**1,145,872**	**42,930**	**1,353,119**
Results						
Segment results *(note (a))*	**24,253**	**2,151**	**44,630**	**9,523**	(4,804)	**75,753**
Fair value gain on investment properties *(note (b))*						**100**
Fair value loss on held-for-trading securities						**(106)**
Interest income from entrusted loan receivables						**537**
Unallocated finance costs						**(9,459)**
Unallocated corporate expenses						**(56,714)**
Unallocated corporate income						**43,489**
Profit before income tax						**53,600**

3. **SEGMENT INFORMATION** *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2017 *(Continued)*

	Property development *HK$'000*	Property investment *HK$'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	**669**	**–**	**4,804**	**298**	**962**	**42,277**	**49,010**
Depreciation	**(78)**	**–**	**(127)**	**(24)**	**(9,785)**	**(4,357)**	**(14,371)**
Finance costs	**–**	**–**	**(3,454)**	**(35)**	**–**	**(9,459)**	**(12,948)**
Gain/(loss) on disposal of property, plant and equipment	**–**	**–**	**–**	**–**	**159**	**(4)**	**155**
Written off of prepayments	**–**	**–**	**–**	**–**	**(4,464)**	**–**	**(4,464)**
Reversal of other payables	**–**	**–**	**–**	**–**	**1,629**	**–**	**1,629**
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value gain on investment properties	**–**	**100**	**–**	**–**	**–**	**–**	**100**

For the year ended 31 December 2016

	Property development *HK$'000*	Property investment *HK$'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	103,598	2,157	51,503	511,849	47,452	716,559
Results						
Segment results *(note (a))*	19,177	1,972	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)*

For the year ended 31 December 2016 *(Continued)*

	Property development *HK$'000*	Property investment *HK$'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)

4. **TURNOVER AND OTHER INCOME**

Turnover from major products and services

	2017 *HK$'000*	2016 *HK$'000*
Sales of properties	**109,212**	103,598
Rental income	**2,412**	2,157
Interest income	**43,688**	43,777
Consultancy service income from finance leasing arrangements	**9,005**	7,726
Bulk commodity trade	**1,145,872**	511,849
Hotel and marine travelling services	**42,930**	47,452
	1,353,119	716,559

4. TURNOVER AND OTHER INCOME *(Continued)*

Other income

	2017	2016
	HK$'000	*HK$'000*
Interest income from:		
– deposits, short-term investments and available-for-sale financial assets	**49,010**	56,598
– entrusted loan receivables	**537**	2,461
– a related party	**346**	3,367
– a non-controlling shareholder of a subsidiary	**978**	993
Reversal of other payables	**1,629**	–
Exchange gain, net	**–**	33,362
Others	**2,333**	1,710
	54,833	98,491

5. 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 People's Republic of China (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.

	2017	2016
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax for the year:		
Hong Kong Profits Tax	**–**	–
PRC EIT	**21,270**	24,362
PRC LAT	**5,781**	4,423
	27,051	28,785
(Over)/under-provision in prior years:		
PRC EIT	**(190)**	126
	26,861	28,911
Deferred taxation	**3,188**	2,997
Income tax expense	**30,049**	31,908

6. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	**1,070**	980
– non-audit services	**220**	310
	1,290	1,290
Amortisation of prepaid land lease payments	**5,429**	5,523
Depreciation of property, plant and equipment	**14,442**	12,765
Less: Amounts capitalised on properties under development	**(71)**	(111)
	14,371	12,654
Minimum lease payments in respect of rented premises	**3,929**	2,619
Contributions to retirement benefits schemes (including directors' emoluments)	**9,141**	6,891
Staff costs (including directors' emoluments)	**53,083**	50,131
Total staff costs	**62,224**	57,022
Less: Amounts capitalised on properties under development	**(1,969)**	(1,460)
	60,255	55,562
Cost of inventories recognised as expenses	**1,207,683**	576,814
Exchange loss/(gain), net	**1,450**	(33,362)
Reversal of write-down of inventories*	**–**	(530)
(Gain)/loss on disposal of property, plant and equipment	**(155)**	4
Written off of prepayments and other receivables	**4,464**	276
Written off of property, plant and equipment	**380**	–

* Reversal of write-down of inventories was included in "cost of sales" on the face of the consolidated income statement.

7. DIVIDENDS

No dividend in respect of the years ended 31 December 2017 and 2016 was proposed during the years ended 31 December 2017 and 2016, nor has any dividend proposed since the end of the reporting period.

8. 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$23,363,000 (2016: HK$63,804,000) and on the weighted average number of 5,796,985,000 (2016: 5,800,208,000) ordinary shares in issue during the year excluding ordinary shares purchased by the Company for share award scheme.

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

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables	**20,659**	63,682
Prepayments to suppliers	**71,493**	251
Other prepayments and deposits	**7,147**	11,940
Other receivables	**29,741**	22,006
Total trade and other receivables	**129,040**	97,879

As at 31 December 2017 and 2016, trade receivables mainly arose from bulk commodity trading. There is a 0 day to 45 days credit period granted to certain customers (2016: 30 days to 45 days) of bulk commodity trading 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 and bills receivables presented based on the invoice date at the end of the reporting period.

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**16,999**	63,682
91 – 120 days	**3,660**	–
	20,659	63,682

As at 31 December 2017, none of the trade receivable are past due at the reporting date. As at 31 December 2016, among the Group's trade receivables balance are debtors with aggregate carrying amount of HK$6,000 which were past due at the reporting date for which the Group has not provided for impairment loss as the directors of the Company are of the view that such receivables can be fully recovered. The Group does not hold any collateral over these balances.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK$'000	*HK$'000*
Non-current:		
Unlisted equity investments, at cost *(note (a))*	**5,246**	–
Current:		
Listed debt investments, at fair value:		
– Term note with interest of 8.125% per annum, dual-listed in Singapore and Ireland	**167,180**	241,530
Listed equity investments, at fair value:		
Shares listed in Hong Kong	**170,180**	–
Fund investments, at fair value	**41,271**	–
Unlisted investments, at cost:		
– Investments with interest ranging from 3.3% to 7.7% (2016: ranging from 3.9% to 9.2%) per annum	**321,600**	271,600
	700,231	513,130

Note:

(a) During the year ended 31 December 2017, the Group acquired 14% equity interest of an unlisted entity operated in the PRC and is principally engaged in research and development and manufacturing of high technology marine tourism equipment for cash consideration of RMB4,372,000 (approximately HK$5,028,000). The Group intends to hold this investment for long-term capital appreciation and had no intention to dispose of the investment in the near future.

11. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**14,941**	22,252
Other payables and accruals	**40,547**	41,511
Advances received	**55,867**	–
Accrual of construction costs	**45,514**	64,071
	156,869	127,834

11. TRADE AND OTHER PAYABLES *(Continued)*

Note:

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

	2017	2016
	HK$'000	*HK$'000*
Within one year	**11,500**	18,669
Over one year but less than two years	**67**	2,974
Over two years but less than three years	**3,374**	609
	14,941	22,252

12. CONTINGENT LIABILITIES

(a) At 31 December 2017, the Group had contingent liabilities in relation to guarantees of approximately HK$124,639,000 (2016: HK$117,072,000) 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 of the Company, 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 office premise with net book value of approximately HK$50,812,000 as at 31 December 2017 (2016: HK$50,928,000) 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$64,248,000) 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 under litigation between Chengtong Coal and its debtors.

On 29 March 2016, the Group also entered into an indemnity deed with China Chengtong Hong Kong Company Limited ("**CCHK**"), an intermediate holding company of the Company, 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 indemnity deed were set out in the Company's announcement dated 29 March 2016.

In the opinion of the directors of the Company, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they were not accounted for in these financial statements.

As at 31 December 2017 and 2016, 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 of the Company to be pending or threatened against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS AND DIVIDEND

For the year ended 31 December 2017, the Group was mainly engaged in five business segments within the territory of the PRC, including: property development, property investment, finance leasing, bulk commodity trade and hotel and marine travelling services.

Since 2017, the PRC has been continuously promoting supply-side structural reform. The results of the elimination of production capacity were prominent, consumption gradually recovered. The price of bulk commodity went up amidst fluctuations. The Group resumed the trading of steel and non-ferrous metals under bulk commodity trade in April 2017 where risks were manageable, which resulted in a significant year-on-year increase in turnover. However, the consolidated gross profit recorded a year-on-year decrease due to the intense competition of bulk commodity trade and the minimal sales margin. Besides, the expansion of bulk commodity trade led to a year-on-year increase in the selling and administrative expenses for the year. In addition, exchange loss was recorded during the year while an exchange gain was recorded in the corresponding period of last year and interest income decreased as compared to that of last year, causing a year-on-year decrease in other income. Primarily due to the abovementioned factors, the profit of the Group decreased as compared to that of last year.

During the year under review, the Group recorded a consolidated turnover of approximately HK$1,353.12 million (2016: approximately HK$716.56 million), representing a year-on-year increase of approximately 89%. The significant increase in turnover was mainly attributable to the resumption of the trading of steel and non-ferrous metals under bulk commodity trade since April 2017 which recorded a relevant turnover of approximately HK$461.10 million (2016: Nil). The price of coal has been increasing continuously during the year and hence the relevant turnover increased year-on-year by approximately 34% to approximately HK$684.77 million (2016: approximately HK$511.85 million).

For the year ended 31 December 2017, the Group recorded a consolidated profit after tax of approximately HK$23.55 million, representing a year-on-year decrease of approximately HK$43.82 million or approximately 65% as compared with the consolidated profit after tax of approximately HK$67.37 million in the corresponding period of 2016. The decrease in profit was mainly due to the reasons set out below: (i) a net exchange gain of approximately HK$33.36 million was recorded last year, while no exchange gain was recorded during the year under review. Moreover, the interest income decreased by approximately HK$12.55 million as compared to that of last year, which resulted in the year-on-year decrease in other income by approximately HK$43.66 million during the year; (ii) the competition in bulk commodity trade was intense and the sales margin was thin, resulting in the year-on-year decrease in consolidated gross profit by approximately HK$6.58 million; and (iii) mainly due to the expansion of bulk commodity trade and the increase in the Group's staff costs, the selling and administrative expenses during the year increased year-on-year by approximately HK$15.36 million.

Despite the aforementioned negative factors, the Company fully redeemed the RMB600 million bonds issued by it during the year, causing a year-on-year decrease in finance costs by approximately HK$19.89 million, which reduced the impact of the above negative factors on the consolidated profit after tax for the year.

The Board did not recommend the declaration of final dividend for the year ended 31 December 2017 (2016: Nil).

II. BUSINESS REVIEW

Segment Revenue and Results

During the year under review, the Group was principally engaged in five major business segments, which include: property development, property investment, finance leasing, bulk commodity trade and hotel and marine travelling services. The details of segment revenue and results are as follows:

(1) 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 City of Jiangsu Province during the year. Details of the two projects are as follows:

(i) Zhucheng City of Shandong Province — CCT-Champs-Elysees

The CCT-Champs-Elysees project, which is wholly owned by the Group, is situated at the northern side of Eastern Section of No. 1 Mizhou West Road, Zhucheng City, Shandong Province, the PRC (Lot No. 01213003). The project had a total site area of approximately 146,006 square metres and was developed in three phases. The project was situated in a provincial city and the market was relatively stable as it was restrained by factors in relation to geographical location, economy and population, etc. During the year under review, the area of residential apartments and commercial spaces that was sold and delivered under the project were approximately 18,702 square metres and 242 square metres respectively (2016: approximately 17,487 square metres and 0 square metre respectively), and the number of parking spaces sold and delivered was 37 (2016: 50). The average unit selling price for residential apartments of the project were approximately RMB5,215 (2016: approximately RMB4,958) per square metre, representing an increase of approximately 5% as compared to that of 2016. The project recorded a sales revenue of approximately HK$109.21 million during the year under review (2016: approximately HK$103.60 million), representing a year-on-year increase of approximately 5%. Profit before tax amounted to approximately HK$26.42 million (2016: approximately HK$20.66 million), representing a year-on-year increase of approximately 28%, which was mainly attributable to the year-on-year increase in gross profit ratio.

As at 31 December 2017, the unsold or sold but not yet delivered area of phase I, phase II and phase III of CCT-Champs-Elysees project included residential apartments of approximately 37,920 square metres (as at 31 December 2016: approximately 20,542 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2016: approximately 1,652 square metres) (excluding the leased area of approximately 7,565 square metres (as at 31 December 2016: approximately 7,565 square metres)).

The construction work of phase III of the CCT-Champs-Elysees project has commenced and part of it has been sold and delivered, and the remaining part was expected to be fully completed and delivered in 2020.

(ii) Dafeng City of Jiangsu Province — Chengtong International City

The Group holds 66.67% equity interest in "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. The total site area is approximately 118,974 square metres. The initial development area was developed in two sections. As at 31 December 2017, the unsold area of residential apartments of Chengtong International City project was approximately 11,022 square metres and the unsold area of commercial spaces was approximately 9,540 square metres, which were the same as those on the same date of last year. Since no sales revenue was generated from this project during the year, there was a loss before tax of approximately HK$2.17 million (2016: loss before tax of approximately HK$1.48 million), representing an increase in loss of approximately 47% as compared to that of last year.

The two aforementioned projects altogether brought a turnover for the property development segment of the Group of approximately HK$109.21 million (2016: approximately HK$103.60 million) and a profit before tax of approximately HK$24.25 million (2016: approximately HK$19.18 million), representing a year-on-year increase of approximately 5% and approximately 26% respectively.

Land Resources Development

The Group still planned to dispose the land situated in Dafeng City, Jiangsu Province. 誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited) ("**Dafeng Development**"), 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 the Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone (the "**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). Details of the agreements related to the resumption of land were set out in the Company's announcement dated 3 July 2014. However, the relevant land has not been resumed as of 31 December 2017 and the date of this announcement.

(2) Property Investment

The rental income from property investment of the Group was derived from the commercial properties in CCT-Champs-Elysees project in Zhucheng of Shandong Province. As at 31 December 2017, the leased area of the project was approximately 7,565 square metres, which was the same as that on the same date of last year. Due to the increase in rents of the new leases signed during the year, rental income amounted to approximately HK$2.41 million (2016: approximately HK$2.16 million) was recorded, representing a year-on-year increase of approximately 12%. Profit before tax was approximately HK$2.15 million (2016: approximately HK$1.97 million), representing a year-on-year increase of approximately 9%.

(3) Finance Leasing

For the year under review, the finance lease business recorded a turnover of approximately HK$52.69 million (2016: approximately HK$51.50 million), representing a year-on-year increase of approximately 2%, and the profit before tax was approximately HK$44.63 million (2016: approximately HK$47.81 million), representing a year-on-year decrease of approximately HK$3.18 million. The main reasons of the decrease in profit were: (i) the administrative expenses increased by approximately HK$2.27 million from last year, which was mainly due to the increase in staff costs; (ii) the finance costs increased by approximately HK$3.43 million from last year; and (iii) the Group received a refund of value-added tax of approximately HK$1.04 million in 2016, whereas no relevant income was recorded during the year under review. During the year, the income from the completion of the provision of consultancy services in relation to financing project was approximately HK$9 million, representing an increase in relevant income of approximately HK$1.27 million from last year; and the interest income from investment was approximately HK$4.80 million (2016: approximately HK$2.43 million), representing a year-on-year increase of approximately HK$2.37 million. These incomes partially offset the impact of the aforesaid negative factors on the profit.

(4) Bulk Commodity Trade

During the year under review, the Group was engaged in the trading of coal, steel and non-ferrous metals under bulk commodity trade, details of which are as follow:

Trading of Coal

As China has been continuously promoting the supply-side structural reform, and the policies such as elimination of excess production capability and reduction of inventory have been a success, the coal price rose amidst fluctuations during the year. During the year under review, the sales volume of coal trading was approximately 1.01 million tons (2016: approximately 1.06 million tons), representing a year-on-year decrease of approximately 5%. Turnover was approximately HK$684.77 million (2016: approximately HK$511.85 million), representing a year-on-year increase of approximately 34%. The average unit selling price increased by approximately 43% to approximately RMB590 per ton (2016: approximately RMB413 per ton). However, due to the intense competition in coal trading, the costs continued to rise, resulting in a deline in gross profit margin by 2.4% to 1.6%. The gross profit decreased by approximately HK$9.68 million to approximately HK$10.65 million. Moreover, the selling and administrative expenses increased, resulting in the recording of a profit before tax of coal trading of only approximately HK$6.95 million (2016: approximately HK$16.01 million), representing a significant year-on-year decrease of approximately 57%.

Trading of steel and non-ferrous metals

2017 was an aggressive year for the supply-side structural reform in steel industry. Various measures of eliminating the excess production capacity were carried forward continuously and policies aiming to suppress the substandard steel and release high quality production capacity were gradually introduced. Significant results regarding the elimination of excess production capacity were achieved. The consumption showed sign of recovery, resulting in the increase in steel price amidst fluctuations, and profitability of steel enterprises significantly increased. During the year under review, the Group resumed the trading of steel and non-ferrous metals under bulk commodity, which led to an increase in the Group's turnover. The total sales volume of steel and non-ferrous metals under bulk commodity was approximately 131,679 tons. The turnover was approximately HK$461.10 million (2016: Nil), which comprised of approximately HK$447.42 million as turnover from steel trading and approximately HK$13.68 million as turnover from non-ferrous metals trading. However, due to the intense competition in bulk commodity trade, gross profit was approximately HK$4.77 million, and operating profit before tax was approximately HK$2.57 million, net of selling expenses.

The above two trading businesses contributed a total segment turnover of bulk commodity trade of approximately HK$1,145.87 million (2016: approximately HK$511.85 million) to the Group, representing a year-on-year increase of approximately 124%. Mainly due to the decrease in gross profit margin of coal trading and the increase in costs and expenses, profit before tax of approximately HK$9.52 million (2016: approximately HK$16.01 million) was recorded, representing a significant year-on-year decrease of approximately 41%.

(5) Hotel and Marine Travelling Services

The hotel and marine travelling services mainly consist of: marine travelling business, hotel operation and travelling agency business.

Marine Travelling Business

During the year under review, the turnover of the marine travelling business amounted to approximately HK$36.66 million (2016: approximately HK$39.44 million), representing a year-on-year decrease of approximately 7%, which was mainly due to the impact of the adverse weather and the deteriorating of the seawater quality during the year, causing the year-on-year decrease in business days, which led to the year-on-year decrease in the number of tourists. The sales gross profit was approximately HK$19.73 million (2016: approximately HK$25.10 million), representing a year-on-year decrease of approximately 21%, which was mainly because the turnover decreased and the Jiaolong submarine could not be launched and operated as the government approval had not been obtained yet, which resulted in the increase in costs and expenses. The profit before tax was approximately HK$4.75 million (2016: approximately HK$12.98 million), representing a year-on-year decrease of approximately 63%.

Hotel Business

The turnover of the hotel business amounted to approximately HK$4.99 million (2016: approximately HK$7.60 million), representing a year-on-year decrease of approximately 34%, which was mainly because the room facilities were worn, thereby diminishing the occupancy rate and average room rate of the hotel. The sales gross profit was approximately HK$4 million (2016: approximately HK$6.55 million), representing a year-on-year decrease of approximately 39%. Mainly due to the decrease in turnover and the increase in costs and expenses, a loss before tax of approximately HK$10.02 million (2016: loss before tax of approximately HK$4.25 million) was recorded.

Travelling Agency Business

The travelling agency business has gradually entered into a phase of growth. Both turnover and gross profit significantly increased. The turnover for the year was approximately HK$1.28 million (2016: approximately HK$0.41 million), representing a year-on-year increase of approximately HK$0.87 million. The profit before tax amounted to approximately HK$0.46 million (2016: loss before tax of approximately HK$0.38 million).

The above three businesses contributed a total segment turnover of the hotel and marine travelling services of approximately HK$42.93 million (2016: approximately HK$47.45 million) to the Group, representing a year-on-year decrease of approximately 10%. Mainly due to the decrease in turnover and the increase in costs and expenses, the segment loss before tax amounted to approximately HK$4.80 million (2016: segment profit before tax of approximately HK$7.45 million).

Other Income

During the year under review, the total amount of other income was approximately HK$54.83 million (2016: approximately HK$98.49 million), representing a year-on-year decrease of approximately 44%, which was mainly due to the following: (i) the average annual return rate of the available-for-sale financial assets decreased as compared with that of last year; (ii) the amounts of relevant deposits, short-term investments, the entrusted loan receivables and loan granted to a related party decreased as compared with that of last year, causing a year-on-year decrease in interest income from the relevant items; (iii) a net exchange gain of approximately HK$33.36 million was recorded during the corresponding period of last year, while no exchange gain was recorded during the year under review; and (iv) a reversal of other payables of approximately HK$1.63 million was recorded during the year.

Selling and administrative expenses

During the year under review, the Group recorded selling expenses of approximately HK$14.59 million (2016: approximately HK$12.32 million), representing a year-on year increase of approximately 18%. The increase in selling expenses was mainly attributable to the expansion of bulk commodity trade, which led to an increase in relevant warehousing charges and inspection charges by approximately HK$2.19 million (2016: nil).

Administrative expenses for the year amounted to approximately HK$99.42 million (2016: approximately HK$86.33 million), representing a year-on-year increase of approximately 15%. The increase in expenses was due to the facts that (i) the staff costs increased by approximately HK$4.70 million as compared to that of last year; (ii) the recording of the write off of prepayment and other receivables of approximately HK$4.46 million; and (iii) a net exchange loss of approximately HK$1.45 million was recorded during the year under review (2016: nil).

Finance costs

During the year under review, the total finance costs of the Group was approximately HK$21.72 million (2016: approximately HK$42.04 million), representing a year-on-year decrease of approximately 48%. The finance costs mainly included: the interest expenses and amortisation costs of approximately HK$14.33 million (2016: approximately HK$42.02 million) in respect of the RMB-denominated bonds issued by the Company and the interests on bank borrowings of approximately HK$7.39 million (2016: approximately HK$20,000). In May 2017, the Company fully redeemed the RMB600 million bonds issued by it, causing the decrease in the relevant interest costs. After deducting the finance costs which was capitalized of approximately HK$8.77 million (2016: approximately HK$9.20 million), the net finance costs was approximately HK$12.95 million (2016: approximately HK$32.84 million), representing a year-on-year decrease of approximately 61%.

III. OUTLOOK

Looking back 2017, the global economy has been on a gradual upswing. The growth rate and the growth of economy have been rising according to expectation. The developed economy had been growing with a great momentum, and the growth rate of the emerging market and developing economy increased steadily. According to the data published by the International Monetary Fund (IMF) in January 2018, it was estimated that the global economic growth for 2017 would reach 3.7%, which was the largest acceleration in the growth over the past 10 years. The growth rate of China's gross domestic product in 2017 was 6.9% and exceeded RMB80 trillion for the first time. The transition of the growth of the gross domestic product from rapid growth phase to high quality development phase has become a fundamental characteristic of the new era of economic growth in China.

Looking forward, it is expected that the global economy will continue to maintain the current positive growth rate in 2018. At the same time, it will face various deep-seated problems brought by the international financial crisis, such as the continuous rising of trade protectionism, the risk arising from the outward reversal of monetary policies of developed economies and the insufficient sustainability of economic growth. Since last year, the PRC has gradually introduced various policies to regulate and guide the overseas investments of corporations, and actively guided the market players to conduct reasonable outward investments, support national strategies such as "One Belt, One Road" initiative, as well as facilitating overseas investments with an aim to upgrade the structure of the industry and improve technology.

In the face of opportunities and challenges, the Group will pay close attention to the latest international and domestic economic and financial development, examine the situation and seize the opportunities. While implementing the improvement in quality and efficiency and thoroughly exploring the potential of existing businesses, it will continue to explore new businesses and develop new drivers for profit growth.

In respect of the integrated development and the transformation and upgrade of the existing businesses: for finance leasing, the Group will fully utilize the background advantage of its controlling shareholder of being a state-owned capital operation company, and play a greater role in the supply-side reform and the structural adjustment of state-owned corporations. Its business expansion will gradually transform from the existing business of sale and leaseback of government infrastructure facilities to the provision of service to real economy new momentum. Meanwhile, the Group will strengthen its financial innovation and further enhance its financing ability. In relation to property development and property investment, the Group's overall strategy is to speed up its withdrawal from the market so as to obtain cash flow for the strategic transformation of the Group. With regard to bulk commodity trading, the Group will continue to cautiously develop business relating to bulk commodity trading under the condition of stringent risk control. Regarding hotel and marine travelling services, the Group will continue to prompt the spin-off listing of its Huandao tourism business, and upgrade and renovate its existing 海南寰島海底世界酒店, and proactively advance the expansion of hotel and marine travelling business.

In respect of exploration of new businesses: the Group will rely on the resources advantages of the controlling shareholder of the Group, focus on the "One belt, One Road" national strategy, continue exploring business area in relation to overseas investment, mergers and acquisitions and asset management, expand its overseas financing channel and upgrade its operation to international standard. Meanwhile, the Group will focus on the new business direction, increase its effort in recruiting talents, reinforce internal control management and the setting up of the relevant mechanisms, and improve the capability in risk management. The Board has full confidence in the future development of the Group.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCE

As at 31 December 2017, equity attributable to owners of the Company amounted to approximately HK$2,838.61 million (as at 31 December 2016: approximately HK$2,687.07 million), representing an increase of approximately HK$151.54 million as compared with that as at 31 December 2016, which was mainly attributable to: (i) the appreciation of RMB, which resulted in the Group recording an increase in exchange reserve of approximately HK$169.17 million; (ii) the profit attributable to the owners of the Company amounted to approximately HK$23.36 million during the year; and (iii) a fair value loss of approximately HK$41.47 million was recorded, net of available-for-sale financial asset at fair value.

Total assets of the Group as at 31 December 2017 were approximately HK$3,574.80 million, representing a decrease of approximately HK$272.10 million as compared with that as at the same date of last year. Total current assets of the Group amounted to approximately HK$2,717.38 million and accounted for approximately 76% of the total assets and representing a decrease of approximately HK$332.24 million as compared with the total current assets as at the same date of last year. The total non-current assets were approximately HK$857.43 million and accounted for approximately 24% of the total assets and representing an increase of approximately HK$60.15 million as compared with that as at the same date of last year.

Total liabilities of the Group amounted to approximately HK$588.35 million, representing a decrease of approximately HK$433.74 million as compared with that as at the same date of last year. The total non-current liabilities of the Group amounted to approximately HK$81.64 million and accounted for approximately 14% of the total liabilities and represented an increase of approximately HK$8.55 million as compared with that as at the same date of last year. The total current liabilities of the Group amounted to approximately HK$506.72 million and accounted for approximately 86% of the total liabilities, representing a decrease of approximately HK$442.28 million as compared with that as at the same date of last year.

The Group had cash and deposits, including pledged bank deposits, deposits in other financial institution and bank balance and cash, of approximately HK$839.91 million, accounting for approximately 23% and 28% of the total assets and the net assets respectively, representing a decrease of approximately HK$519.82 million as compared with the cash and deposits as at the same date of last year. As at 31 December 2017, the Group's bank borrowings were approximately HK$214.40 million, representing a decrease of approximately HK$530.10 million as compared with the total borrowings as at 31 December 2016 of approximately HK$744.50 million (which comprised of approximately HK$667.22 million as corporate bonds and approximately HK$77.28 million as bank borrowings). Bank borrowings of approximately HK$14.40 million was of one-year term and the remaining balance of HK$200 million was a revolving loan with the final repayment date in the year of 2020. The interest rates of the bank borrowings ranged from approximately 2.62% to approximately 5.22% per annum. It is expected that the Group will have sufficient financial resources to cope with the commitments and liabilities for the following year.

V. DEBT TO EQUITY RATIO

The debt to equity ratio (expressed as total interest-bearing borrowings divided by total equity) as at 31 December 2017 was approximately 7%, representing a decrease of 19% as compared with the debt to equity ratio of approximately 26% as at 31 December 2016, which indicated a stable financial position of the Group with a low liability level.

VI. SIGNIFICANT INVESTMENTS

The available-for-sale financial assets held by the Group as at 31 December 2017 was approximately HK$705.48 million (as at 31 December 2016: approximately HK$513.13 million), mainly including US$ fixed term notes, shares of listed companies and investment trust products, which in aggregate accounted for approximately 24% of the Group's consolidated net asset value. The return rates of these investments ranged from approximately 3.3% to approximately 8.125% per annum. The Group will continue to identify investment opportunities and seek to acquire and manage other assets with low risk returns.

VII. EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

The Group's businesses were principally conducted 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 2017, the net assets value of the Group's business within the territory of the PRC were approximately RMB2,186.49 million. According to HKASs, such RMB net asset value should be converted at the exchange rate applicable as at the end of the reporting period. Due to the appreciation of RMB during the year, the exchange reserve of the Group increased by approximately HK$169.17 million, causing an increase in the Group's net assets value. During the year, although foreign currency fluctuation did not pose significant risks to the Group and currently, the Group does not have any hedging measures against such exchange risks, the Group will also continue to closely monitor the risks arising from such currency fluctuation.

VIII. TREASURY POLICIES

The business activities and operation of the Group are mainly carried out in Mainland China and Hong Kong, with transactions denominated in RMB, HKD and US dollars, which expose the Group to foreign currency risks. The Group currently does not have a 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 remains at a controllable level. As at 31 December 2017, the Group's bank borrowings were denominated in HKD and RMB, of which the RMB-denominated bank borrowings were principally on a fixed interest rate basis, and the HKD-denominated borrowings were based on floating interest rates. The floating interest rates are stabilised at a low level because the banks in Hong Kong have sufficient capital and strong liquidity and there is no urgent need to increase the interest rates. Although the Group does not have any hedging measures against such interest rate risks, the Group will continue to closely monitor the risks arising from such interest rate fluctuation. When interest rate rises, hedging instruments will be used in due course against the interest rate risks caused by HKD-denominated borrowings which are based on floating interest rates.

IX. PLEDGE OF ASSETS

(a) As at 31 December 2017, approximately HK$1.32 million (as at 31 December 2016: approximately HK$1.64 million) of pledged bank deposits of the Group were pledged as security for banking facilities granted to mortgagees. The remaining of HK$2.69 million were secured deposits.

(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 provided a guarantee by pledging its office premise with net book value of approximately HK$50.81 million as at 31 December 2017 and issuing a guarantee letter to the Supreme People's Court of Guangxi Zhuang Autonomous Region to the extent of approximately RMB53.54 million (approximately HK$64.25 million) 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.

X. CONTINGENT LIABILITIES

Please refer to note 12 in this announcement.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2017, the Group employed a total of 304 employees (as at 31 December 2016: 331), of which 12 (as at 31 December 2016: 14) were based in Hong Kong and 292 (as at 31 December 2016: 317) were based in the Mainland China. During the year, the total staff costs of the Group (including directors emoluments and provident funds) were approximately HK$62.22 million. 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 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, 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 declaration of final dividend for the year ended 31 December 2017 (2016: nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, 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 no less 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 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2017, 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 2017.

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 2017.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") comprises 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 2017 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 comprises 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. Zhang Bin. 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 comprises 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 THE PRELIMINARY RESULTS 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 2017 as set out in the preliminary results 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 results 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 2017 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
Zhang Bin
Managing Director

Hong Kong, 2 March 2018

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