Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2018 FINAL RESULTS

FINANCIAL HIGHLIGHTS

– Turnover for the year ended 31 December 2018 amounted to approximately HK$1,020.89 million, representing a year-on-year decrease of approximately 25%.

– Profit for the year attributable to owners of the Company amounted to approximately HK$113.44 million, representing a year-on-year increase of approximately 386%.

– Gross profit margin for core business was approximately 11%, representing a year-on-year increase of approximately 2%.

– Earnings per share was approximately HK1.96 cents, representing a year-on-year increase of approximately HK1.56 cents.

– As at 31 December 2018, the cash (including pledged bank deposits, deposits in other financial institution, bank balances and cash) held by the Group amounted to approximately HK$907.42 million.

– As at 31 December 2018, the debt to equity ratio (expressed as bank borrowings divided by total equity) was approximately 9%, representing a year-on-year increase of approximately 2%.

– The Board has resolved not to declare any final dividend for the year ended 31 December 2018.

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 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Turnover	*4*	**1,020,892**	1,353,119
Cost of sales		**(911,992)**	(1,227,387)
Gross profit		**108,900**	125,732
Other income	*4*	**58,579**	54,833
Selling expenses		**(14,057)**	(14,591)
Administrative expenses		**(92,337)**	(99,420)
Gain on disposal of a subsidiary		**110,799**	–
Fair value gain on investment properties		**3,535**	100
Fair value loss on held-for-trading securities		**–**	(106)
Finance costs		**(6,505)**	(12,948)
Profit before income tax		**168,914**	53,600
Income tax expense	*5*	**(57,499)**	(30,049)
Profit for the year	*6*	**111,415**	23,551
Profit/(loss) for the year attributable to:			
Owners of the Company		**113,440**	23,363
Non-controlling interests		**(2,025)**	188
		111,415	23,551
Earnings per share	*8*		
– Basic		**HK1.96 cents**	HK0.40 cent
– Diluted		**HK1.96 cents**	HK0.40 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**111,415**	23,551
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income	**(66,040)**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**(141,787)**	179,072
Exchange differences reclassified to profit or loss on disposal of a subsidiary	**486**	–
Transfer to profit or loss upon disposal of debt investments measured at fair value through other comprehensive income	**1,746**	–
Net change in fair value of debt investments measured at fair value through other comprehensive income	**7,421**	–
Net change in fair value of available-for-sale financial assets	**–**	(41,470)
Transfer to profit or loss upon disposal of available-for-sale financial assets	**–**	483
Total comprehensive income for the year	**(86,759)**	161,636
Total comprehensive income attributable to:		
Owners of the Company	**(77,969)**	151,541
Non-controlling interests	**(8,790)**	10,095
	(86,759)	161,636

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**187,803**	202,715
Prepaid land lease payments		**38,592**	196,781
Investment properties		**101,528**	63,816
Deposits paid		**–**	4,966
Loans receivable		**245,700**	383,902
Other financial assets	*10*	**4,984**	–
Available-for-sale financial assets	*10*	**–**	5,246
		578,607	857,426
Current assets			
Properties held for sale		**202,005**	251,688
Properties under development		**152,233**	109,824
Properties held for development		**281,386**	296,196
Inventories		**15,970**	4,281
Trade and other receivables	*9*	**186,706**	129,040
Loans receivable		**421,236**	358,359
Amount due from a non-controlling shareholder of a subsidiary		**–**	18,000
Prepaid land lease payments		**2,011**	5,665
Other financial assets	*10*	**840,612**	–
Available-for-sale financial assets	*10*	**–**	700,231
Held-for-trading securities	*10*	**–**	1,173
Taxation recoverable		**2,119**	3,004
Pledged bank deposits		**3,815**	4,006
Deposits in other financial institution		**112,338**	86,200
Bank balances and cash		**791,265**	749,708
		3,011,696	2,717,375

	Notes	2018 HK$'000	2017 HK$'000
Current liabilities			
Trade and other payables	*11*	**120,726**	156,869
Contract liabilities	*12*	**207,096**	–
Deposits received from sale of properties		**–**	128,921
Taxation payable		**38,843**	5,929
Bank borrowings		**274,100**	214,400
Unsecured other loan		**600**	600
		641,365	506,719
Net current assets		**2,370,331**	2,210,656
Total assets less current liabilities		**2,948,938**	3,068,082
Non-current liabilities			
Deferred tax liabilities		**51,794**	81,635
		51,794	81,635
Net assets		**2,897,144**	2,986,447
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,185,876**	2,185,876
Reserves		**575,829**	652,738
		2,761,705	2,838,614
Non-controlling interests		**135,439**	147,833
Total equity		**2,897,144**	2,986,447

NOTES

For the year ended 31 December 2018

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.

The consolidated financial statements continues to be presented in Hong Kong Dollar ("**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 2018 and 2017 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 2017 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 2018 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 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 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

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

HKFRS 9 – Financial Instruments ("HKFRS 9")

The adoption of HKFRS 9 resulted in changes in accounting policies and adjustments to the amount recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated profits and reserves of the current year.

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

The changes in the accounting policies and the effects of the resulting changes are summarised below:

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede Hong Kong Accounting Standard ("**HKAS**") 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

At initial recognition, for financial assets not at FVPL, the Group measures them at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. For financial assets measured at FVPL, transaction costs are expensed in profit or loss.

Non-equity investments held by the Group are classified into one of the following measurement categories:

(1) At amortised cost only if both the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the collection of contractual cash flows which represent solely payments of principal and interest.

Interest income from the investment is calculated using the effective interest method.

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial assets and financial liabilities (Continued)

(2) FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale.

Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

(3) FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling).

Changes in the fair value of the investment, including interest income, are recognised in profit or loss.

Equity investment is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVOCI reserve (non-recycling) is transferred to accumulated profits. It is not recycled through profit or loss. Dividends from an equity investment, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss.

There is no change in the classification and measurement of the Group's financial liabilities and the financial liabilities continue to be measured at amortised cost at the date of transition.

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial assets and financial liabilities (Continued)

The following tables summarised the impact of transition to HKFRS 9 on the opening balances of accumulated profits and reserves as of 1 January 2018:

	Notes	*HK$000*
Accumulated profits		
Accumulated profits as at 31 December 2017		650,060
Transfer from available-for-sale financial assets revaluation reserve relating to financial assets now measured at FVPL	*2.1(i)(d)*	192
Remeasurement of financial assets now measured at FVPL	*2.1(i)(e)*	1,310
Recognition of additional expected credit losses on:		
– trade and other receivables	*2.1(ii)*	(17)
– loans receivable	*2.1(ii)*	(233)
Restated accumulated profits as at 1 January 2018		651,312
Available-for-sale financial assets revaluation reserve		
Reserve as at 31 December 2017		(34,585)
Transfer to financial assets at FVOCI reserve	*2.1(i)(a)&(b)*	34,777
Transfer to accumulated profits for financial assets now measured at FVPL	*2.1(i)(d)*	(192)
Restated reserve as at 1 January 2018		–
Financial assets at FVOCI reserve		
Reserve as at 31 December 2017		–
Transfer from available-for-sale financial assets revaluation reserve	*2.1(i)(a)&(b)*	(34,777)
Restated reserve as at 1 January 2018		(34,777)

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial assets and financial liabilities (Continued)

The following table shows the original classification for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets measured in accordance with HKAS 39 to those measured in accordance with HKFRS 9.

	Notes	**HKAS 39 carrying amount at 31 December 2017** *HK$000*	**Reclassification** *HK$000*	**Remeasurement** *HK$000*	**HKFRS 9 carrying amount at 1 January 2018** *HK$000*
Financial assets at amortised cost					
Trade and other receivables	*2.1(ii)*	129,040	–	(17)	129,023
Loans receivable	*2.1(ii)*	742,261	–	(233)	742,028
Amount due from a non-controlling shareholder of a subsidiary		18,000	–	–	18,000
Pledged bank deposits		4,006	–	–	4,006
Deposits in other financial institution		86,200	–	–	86,200
Bank balances and cash		749,708	–	–	749,708
		1,729,215	–	(250)	1,728,965
Financial assets measured at FVOCI (non-recycling)					
Other financial assets – Equity investments	*2.1(i)(a)*	–	175,426	–	175,426
Financial assets measured at FVOCI (recycling)					
Other financial assets – Debt investments	*2.1(i)(b)*	–	167,180	–	167,180
Financial assets measured at FVPL					
Other financial assets					
– Shares listed in Hong Kong	*2.1(i) (c)*	–	1,173	–	1,173
– Fund investments	*2.1(i) (d)*	–	41,271	–	41,271
– Unlisted investments	*2.1(i) (e)*	–	321,600	1,310	322,910
		–	364,044	1,310	365,354
Financial assets designated as at FVPL under HKAS 39					
Held for trading securities		1,173	(1,173)	–	–
Financial assets classified as available-for-sale under HKAS 39		705,477	(705,477)	–	–

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial assets and financial liabilities (Continued)

Notes:

(a) The Group elected to present in other comprehensive income the subsequent changes in fair value of all its equity investments previously classified as available-for-sale financial assets because these investments are held for strategic purposes. As a result, the financial assets were reclassified from available-for-sale financial assets with original carrying amount of HK$175,426,000 to financial assets measured at FVOCI. Cumulative fair value loss of approximately HK$9,167,000 was reclassified from the available-for-sale financial assets revaluation reserve to the financial assets at FVOCI reserve (non-recycling) on 1 January 2018.

(b) Under HKAS 39, listed debt investments with fair value of HK$167,180,000 were classified as available-for-sale financial assets. They are reclassified to financial assets measured at FVOCI under HKFRS 9 as these financial assets are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt investments in open market, and the contractual terms give rise to cash flows in specific dates that are solely payments of principal and interest on the principal outstanding. Cumulative fair value loss of approximately HK$25,610,000 was reclassified from the available-for-sale financial assets revaluation reserve to financial assets at FVOCI reserve (recycling) on 1 January 2018.

(c) The Group reclassified the financial assets designated as at FVPL to financial assets measured at FVPL and there is no change in their measurement on 1 January 2018.

(d) Unlisted fund investments classified as available-for-sale financial assets of HK$41,271,000 measured at fair value at 31 December 2017. These investments were not held of solely for payments of principal and interest on the principal amount outstanding. Accordingly, these unlisted fund investments were measured at FVPL upon the application of HKFRS 9. Available-for-sale financial assets revaluation reserve related to these investments of HK$192,000 were transferred to accumulated profits on 1 January 2018.

(e) Unlisted investments of HK$321,600,000 were classified as available-for-sale financial assets and stated at cost at 31 December 2017. These investments were not held solely for payments of principal and interest on the principal amount outstanding. Accordingly, these unlisted investments were measured at FVPL upon the application of HKFRS 9 and additional fair value gain of HK$1,310,000 was recognised in accumulated profits upon remeasurement on 1 January 2018.

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment

The impairment methodology of financial assets has been changed from the incurred loss model under HKAS 39 to the expected credit loss model under HKFRS 9. Under the new expected credit loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses ("**ECL**"), which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost; and

– debt investments measured at FVOCI (recycling).

Under HKFRS 9, the loss allowance is measured on either of the following bases: (1) 12 months ECL: these are the ECL that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 and has calculated ECL based on lifetime ECL.

For other financial assets measured at amortised cost and debt investments measured at FVOCI (recycling), the ECL are based on the 12 months ECL. The 12 months ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 ECL model at 1 January 2018:

	HK$000
Loss allowance as at 31 December 2017 under HKAS 39	–
Additional expected credit loss recognised at 1 January 2018 on:	
Trade and other receivables	17
Loans receivable	233
Loss allowance as at 1 January 2018 under HKFRS 9	250

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates and enhances an asset that the customer controls as the Group performs; or

– do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

– direct measurements of the value transferred by the Group to the customer; or

– the Group's efforts or inputs to the satisfaction of the performance obligation.

Incremental costs incurred directly attributable to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15") (Continued)

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening accumulated profits at 1 January 2018. Therefore, comparative information would not be restated and continues to be reported under HKAS 11 and HKAS 18. As allowed under HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. The management of the Company considered that HKFRS 15 did not result in significant impact on the Group's accounting policies.

Under the requirements of HKFRS 15, revenue from sale of goods and provision of services by the Group will be recognised when the customer obtains control of the promised goods or services in the contract. The Group has assessed that the adoption of HKFRS 15 would be relevant to the recognition of revenue relating to the Group's sale of properties held for sale, under which the revenue from the sale of properties held for sale during the accounting period is recognised in the Group's consolidated statement of income statement on the basis that control over the ownership of the property has been passed to the customer during the current accounting period. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of mainland China, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously, the revenue from the sale of properties held for sale was recognised upon delivery of property to the purchaser pursuant to the sales agreement, which was taken to be the point in time when the risks and rewards of ownership of the property had been passed to the customer.

However, reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15 as follow:

– Deposits and instalments received on properties sold prior to the date of revenue recognition of HK$128,921,000 that were previously presented as deposits received from sale of properties have been reclassified as contract liabilities.

– Advances received of HK$55,867,000 that were previously included in trade and other payables have been reclassified as contract liabilities.

2. ADOPTION OF HKFRSs (Continued)

2.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15") (Continued)

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018			
	Without adoption of HKFRS 15	**Reclassifications under HKFRS 15**	**Effects of adoption of HKFRS 15**	**As reported**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated statement of financial position (extract)				
Trade and other payables	164,556	(43,830)	–	120,726
Deposits received from sale of properties	163,266	(163,266)	–	–
Contract liabilities	–	207,096	–	207,096
Consolidated statement of cash flows (extract)				
Operating profit before working capital changes:				
Trade and other payables	36,917	–	12,037	48,954
Deposits received from sale of properties	34,345	–	(34,345)	–
Contract liabilities	–	–	22,308	22,308

2. ADOPTION OF HKFRSs (Continued)

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.

HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors[2]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
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 2019*

[2] *Effective for annual periods beginning on or after 1 January 2020*

[3] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. 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

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 2018

	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	**60,993**	**2,638**	**53,264**	**865,237**	**38,760**	**1,020,892**
Results						
Segment results *(note (a))*	**20,477**	**2,293**	**44,136**	**4,339**	**(4,108)**	**67,137**
Fair value gain on investment properties *(note (b))*						**3,535**
Gain on disposal of a subsidiary						**110,799**
Unallocated finance costs						**(4,333)**
Unallocated corporate expenses						**(52,153)**
Unallocated corporate income						**43,929**
Profit before income tax						**168,914**

Notes:

	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*
(a) Amounts included in the measure of segment results							
Interest income from deposits and other financial assets	**2,365**	**–**	**2,952**	**320**	**1,304**	**38,897**	**45,838**
Depreciation	**(80)**	**–**	**(150)**	**(26)**	**(10,283)**	**(4,196)**	**(14,735)**
Finance costs	**–**	**–**	**(2,120)**	**(52)**	**–**	**(4,333)**	**(6,505)**
Gain/(loss) on disposal of property, plant and equipment	**–**	**–**	**–**	**1**	**(276)**	**–**	**(275)**
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Fair value gain on investment properties	**–**	**3,535**	**–**	**–**	**–**	**–**	**3,535**

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

	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

4. TURNOVER AND OTHER INCOME

(a) Turnover

Set out below is the disaggregation of the Group's turnover from major products and services:

	2018	2017
	HK$'000	*HK$'000*
		(Note)
Sales of properties	**60,993**	109,212
Consultancy service income from finance lease arrangements	**8,925**	9,005
Bulk commodity trade	**865,237**	1,145,872
Hotel and marine travelling services	**38,760**	42,930
Revenue from contract with customers	**973,915**	1,307,019
Rental income	**2,638**	2,412
Interest income from finance lease arrangements	**44,339**	43,688
Total revenue	**1,020,892**	1,353,119

Note: During the year, the Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information for the year ended 31 December 2017 is not restated and was prepared in accordance with HKAS 18.

(b) Other income

	2018	2017
	HK$'000	*HK$'000*
Interest income from:		
– deposits and other financial assets (2017: deposits, short-term investments and available-for-sale financial assets)	**45,838**	49,010
– entrusted loan receivables	**–**	537
– a related party	**–**	346
– a non-controlling shareholder of a subsidiary	**196**	978
Fair value gain on other financial assets measured at profit or loss	**4,005**	–
Government subsidies	**4,508**	128
Reversal of other payables	**326**	1,629
Exchange gain, net	**104**	–
Others	**3,602**	2,205
	58,579	54,833

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 ("**PRC**") on Enterprise Income Tax ("**EIT**") and Implementation Regulation, the PRC subsidiaries are subject to tax rate of 25%. The 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.

	2018	2017
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax for the year:		
Hong Kong Profits Tax	**–**	–
PRC EIT	**45,339**	21,270
PRC LAT	**4,719**	5,781
	50,058	27,051
Over-provision in prior years:		
PRC EIT	**–**	(190)
	50,058	26,861
Deferred tax	**7,441**	3,188
Income tax expense	**57,499**	30,049

6. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	**1,070**	1,070
– non-audit services	**180**	220
	1,250	1,290
Amortisation of prepaid land lease payments	**5,471**	5,429
Depreciation of property, plant and equipment	**14,747**	14,442
Less: Amounts capitalised on properties under development	**(12)**	(71)
	14,735	14,371
Minimum lease payments in respect of rented premises	**4,946**	3,929
Contributions to retirement benefits schemes (including directors' emoluments)	**10,740**	9,141
Staff costs (including directors' emoluments)	**52,055**	53,083
Total staff costs	**62,795**	62,224
Less: Amounts capitalised on properties under development	**(2,141)**	(1,969)
	60,654	60,255
Cost of inventories recognised as expenses	**881,467**	1,207,683
Exchange (gain)/loss, net	**(104)**	1,450
Loss/(gain) on disposal of property, plant and equipment	**275**	(155)
Impairment on financial assets	**55**	–
Written off of prepayments	**–**	4,464
Written off of property, plant and equipment	**303**	380

7. DIVIDENDS

No dividend in respect of the years ended 31 December 2018 and 2017 was proposed during the years ended 31 December 2018 and 2017, 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$113,440,000 (2017: HK$23,363,000) and on the weighted average number of 5,796,985,000 (2017: 5,796,985,000) 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

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables *(note a)*	**8,475**	20,659
Prepayments to suppliers	**111,353**	71,493
Other prepayments and deposits	**43,747**	7,147
Other receivables	**23,131**	29,741
Total trade and other receivables	**186,706**	129,040

Notes:

(a) As at 31 December 2018 and 2017, trade receivables mainly arose from bulk commodity trading and no credit period is granted to customers (2017: 0 day to 45 days) of bulk commodity trading business.

Bills receivables were due within 1 year (2017: 1 year) from the date of issuance.

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.

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**378**	16,999
91 – 180 days	**8,097**	3,660
	8,475	20,659

(b) As at 31 December 2018, loss allowance of HK$177,000 (2017: nil) were made against the gross amount of trade and other receivables.

10. OTHER FINANCIAL ASSETS/AVAILABLE-FOR-SALE FINANCIAL ASSETS/HELD-FOR-TRADING SECURITIES

	At 31 December 2018	At 1 January 2018	At 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*
Non-current:			
Financial assets measured at FVOCI (non-recycling)			
– Equity investments	**4,984**	5,246	–
Available-for-sale financial assets			
– Unlisted equity investments, at cost	**–**	–	5,246
Current:			
Financial assets measured at FVOCI (non-recycling)			
Equity investments			
– Shares listed in Hong Kong	**104,140**	170,180	–
Financial assets measured at FVOCI (recycling)			
Debt investments			
– Term note with interest of 8.125% per annum, dual-listed in Singapore and Ireland	**–**	167,180	–

10. OTHER FINANCIAL ASSETS/AVAILABLE-FOR-SALE FINANCIAL ASSETS/HELD-FOR-TRADING SECURITIES (CONTINUED)

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000	At 31 December 2017 HK$'000
Financial assets measured at profit or loss			–
– Shares listed in Hong Kong	**1,125**	1,173	–
– Unlisted investments *(Note (a))*	**421,847**	322,910	–
– Fund investments	**–**	41,271	–
Financial assets at amortised cost			
– Unlisted investments with interest ranging from 4.0% to 7.0% per annum	**74,100**	–	–
– Structured bank deposits with interest ranging from 2.9% to 4.5% per annum	**239,400**	–	–
Held-for-trading securities	**–**	–	1,173
Available-for-sale financial assets (Note (b))			
Listed debt investments, at fair value:			
– Term note with interest of 8.125% per annum, dual-listed in Singapore and Ireland	**–**	–	167,180
Listed equity investments, at fair value:			
– Shares listed in Hong Kong	**–**	–	170,180
Fund investments, at fair value	**–**	–	41,271
Unlisted investments, at cost			
– Investment with interest ranging from 3.3% to 7.7% per annum	**–**	–	321,600
	840,612	702,714	701,404

Notes:

(a) The balances represented the trust products issued by PRC banks and financial institutions which invested in underlying assets without open or active quotations.

(b) Available-for-sale financial assets were reclassified to financial assets measured at FVPL and FVOCI upon the initial application of HKFRS 9 at 1 January 2018 (see note 2.1).

11. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**13,030**	14,941
Other payables and accruals	**52,516**	40,547
Deposits received	**14,820**	–
Advances received	**–**	55,867
Accrual of construction costs	**40,360**	45,514
	120,726	156,869

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:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**10,105**	11,500
Over one year but less than two years	**–**	67
Over two years but less than three years	**2,925**	3,374
	13,030	14,941

12. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	31 December 2018	1 January 2018 *(note)*	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities related to property sales	**163,266**	128,921	–
Contract liabilities related to bulk commodity trade	**43,830**	55,867	–
	207,096	184,788	–

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018.

13. CONTINGENT LIABILITIES

(a) At 31 December 2018, the Group had contingent liabilities in relation to guarantees of approximately HK$211,918,000 (2017: HK$124,639,000) 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.

13. CONTINGENT LIABILITIES (CONTINUED)

(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 premises with net book value of approximately HK$45,367,000 as at 31 December 2018 (2017: HK$50,812,000) 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$61,036,000) 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**") 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 2018 and 2017, 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.

14. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**21,601**	4,472

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS AND DIVIDEND

For the year ended 31 December 2018, the Group recorded a consolidated turnover of approximately HK$1,020.89 million (2017: approximately HK$1,353.12 million), representing a year-on-year decrease of approximately 25%. This year, the profit attributable to the owners of the Company was approximately HK$113.44 million (2017: approximately HK$23.36 million), representing a year-on-year increase of approximately 386%. The significant increase in profit was mainly because of (i) the Group completed the disposal of the equity interests in 海口翠島溫泉度假酒店有限公司(unofficial English translation being Haikou Cuidao Hotspring Resort Hotel Company Limited) ("**Cuidao Hotspring Hotel**") in December 2018, which resulted in a non-recurring gains on disposal of a subsidiary of approximately HK$110.80 million (2017: HK$ nil); and (ii) the Company had fully redeemed the RMB600 million bonds issued by it in May 2017, leading to no related interest expenses being recorded during the year, which resulted in a year-on-year significant decrease in finance costs by approximately 50% to approximately HK$6.51 million (2017: approximately HK$12.95 million).

The Board did not recommend the declaration of any final dividend for the year ended 31 December 2018 (2017: nil).

II. BUSINESS REVIEW

Segment Revenue and Results

The revenue of the Group was mainly derived from the five business segments in the PRC, including 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 two projects in CCT-Champs-Elysees in Zhucheng City of Shandong Province of the PRC and "Chengtong International City" in Dafeng City of Jiangsu Province of the PRC. The two aforementioned projects altogether brought a turnover for the Group's property development segment of approximately HK$60.99 million (2017: approximately HK$109.21 million), representing a year-on-year decrease of approximately 44%, and the segment profit before tax when compared to that of last year decreased by 16% to approximately HK$20.48 million (2017: approximately 24.25 million). Details of the two aforementioned 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 located at the northern side of Eastern Section of No. 1 Mizhou West Road, Zhucheng City, Shandong Province, the PRC (Lot No. 01213003). The project has a total site area of approximately 146,006 square metres and has been developing in three phases. The project is located in a county level city, which is a third– and fourth-tier city in the PRC. During the year under review, affected by policies including state stringent regulations and tightened bank credit, the demand for new flats in Zhucheng City was low which led to a decline in the sales revenue of the project. During the year, the area of residential apartments of the project sold was approximately 8,928 square metres (2017: approximately 18,702 square metres), representing a year-on-year decrease of approximately 52%. In addition, six parking spaces were sold (2017: 37). No record of commercial properties sold during the year (2017: 242 square metres). The average unit selling price per square metre for residential apartments of the project was approximately RMB5,833, representing an increase of approximately 12% as compared to approximately RMB5,215 per square metre in last year. Mainly because of the decrease of areas sold as compared to that of last year, the sales revenue of the project was approximately HK$60.61 million (2017: approximately HK$109.21 million), representing a year-on-year decrease of approximately 45%. The profit before tax amounted to approximately HK$23.38 million (2017: approximately HK$26.42 million), representing a year-on-year decrease of approximately 12%.

As at 31 December 2018, the unsold area of phases I, II and III of CCT-Champs-Elysees project included residential area of approximately 29,392 square metres (as at 31 December 2017: approximately 37,920 square metres) and commercial spaces of approximately 1,410 square metres (as at 31 December 2017: approximately 1,410 square metres) (excluding the leased area of approximately 7,565 square metres (as at 31 December 2017: approximately 7,565 square metres)).

Construction works of phase III of CCT-Champs-Elysees project have been commenced. Parts of the project were sold, while the whole project is expected to be completed and delivered by 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 and the first phase was developed in two sections. Dafeng City is a third and fourth-tier city of the PRC. Given that the project is situated far from major cities and the real estate market in the region remains stagnant, the residential area of the project sold was approximately 92 square metres during the year (2017: nil). The sales revenue of the project was approximately HK$0.38 million (2017: nil). The loss before tax amounted to approximately HK$2.91 million (2017: loss before tax amounted to approximately HK$2.17 million), representing a year-on-year increase in loss of approximately 34%.

As at 31 December 2018, the unsold area of Chengtong International City project included residential area of approximately 10,930 square metres (as at 31 December 2017: approximately 11,022 square metres) and commercial spaces of approximately 9,540 square metres (as at 31 December 2017: approximately 9,540 square metres).

Land Resources Development

It remains the Group's plan to dispose of 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 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 relevant 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 2018 and the date of this announcement.

(2) Property Investment

The rental income from property investment of the Group was generated from the commercial properties of CCT-Champs-Elysees project in Zhucheng City, Shandong Province, the PRC. As at 31 December 2018, the leasable area of the project was approximately 7,565 square metres, which was the same as that of last year. Due to the increase in rent for renewed tenancy agreements during the year, the rental income amounted to approximately HK$2.64 million (2017: approximately HK$2.41 million), representing a year-on-year increase of approximately 10%. The profit before tax was approximately HK$2.29 million (2017: approximately HK$2.15 million), representing a year-on-year increase of approximately 7%.

(3) Finance Leasing

During the year under review, the turnover from the finance leasing business amounted to approximately HK$53.26 million (2017: approximately HK$52.69 million), representing a year-on-year increase of approximately 1%. The profit before tax was approximately HK$44.14 million (2017: approximately HK$44.63 million), representing a year-on-year decrease of approximately 1%. The decrease in profit was mainly attributable to the increase in administrative expenses when compared to that of last year.

(4) Bulk Commodity Trade

During the year under review, turnover from bulk commodity trade business segment was approximately HK$865.24 million (2017: approximately HK$1,145.87 million), representing a year-on-year decrease of approximately 24%. Segment profit before tax was approximately HK$4.34 million (2017: approximately HK$9.52 million), representing a year-on-year decrease of approximately 54%. The details of the trading of coal and steel and non-ferrous metal under bulk commodity trade operated by the Group are as follows:

(i) Trading of Coal

During the year, the Group achieved the sales volume of coal trading of approximately 0.86 million tons (2017: approximately 1.01 million tons), representing a year-on-year decrease of approximately 15%. Turnover was approximately HK$614.72 million (2017: approximately HK$684.77 million), representing a year-on-year decrease of approximately 10%. The average unit selling price increased by approximately 1.7% from approximately RMB590 per ton in last year to approximately RMB600 per ton during the year under review. However, due to the year-on-year decrease in sales volume and increase in administrative expenses, the profit before tax was approximately HK$1.75 million (2017: approximately HK$6.95 million), representing a significant year-on-year decrease of approximately 75%.

(ii) Trading of Steel and Non-ferrous Metal

During the year under review, the sales volume of steel under bulk commodity was approximately 60,745 tons (2017: approximately 131,679 tons), representing a year-on-year decrease of approximately 54%. There was no record of any sales volume of non-ferrous metals (2017: approximately 300 tons). The turnover was approximately HK$250.52 million (2017: approximately HK$461.10 million), representing a year-on-year decrease of approximately 46%. The average unit selling price of steel increased by 22% year-on-year to approximately RMB3,404 per ton, which resulted in a year-on-year increase in gross profit by approximately 1% to approximately HK$4.81 million (2017: approximately HK$4.77 million), thus offsetting the negative impact of falling sales volume on gross margin. The profit before tax was approximately HK$2.59 million (2017: approximately HK$2.57 million), which was nearly the same with that of last year.

(5) Hotel and Marine Travelling Services

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

(i) Marine Travelling Business

During the year under review, the turnover of the marine travelling business was approximately HK$36.30 million (2017: approximately HK$36.66 million), representing a year-on-year decrease of approximately 1%. The gross profit decreased by approximately 4% from approximately HK$19.73 million in last year to approximately HK$19.02 million, which, together with an increase in the selling and administrative expenses, resulted in a profit before tax of approximately HK$2.27 million (2017: approximately HK$4.75 million), representing a year-on-year decrease of approximately 52%.

(ii) Hotel Business

The turnover of the hotel business was approximately HK$1.56 million (2017: approximately HK$4.99 million), representing a year-on-year decrease of approximately 69%, which was mainly due to the closure of the hotel since March 2018 to renovate its aged facilities which had turned guests away in last periods. With the decrease in turnover, the gross profit decreased by approximately 67% from approximately HK$4.00 million of last year to approximately HK$1.31 million. Moreover, the renovation of hotel rooms during the year generated a loss on disposal and write-off of equipment of approximately HK$0.64 million in total. However, due to the suspension of hotel business and there was a significant decrease in selling and administrative expenses, the loss before tax amounted to approximately HK$6.86 million (2017: loss before tax amounted to approximately HK$10.02 million), representing a year-on-year decrease in loss of approximately 32%.

(iii) Travelling Agency Business

The turnover of the travelling agency business was approximately HK$0.90 million (2017: approximately HK$1.28 million), representing a year-on-year decrease of approximately 30%. The profit before tax was approximately HK$0.48 million (2017: approximately HK$0.46 million), representing a year-on-year increase of approximately 4%.

The above three businesses contributed a total segment turnover of approximately HK$38.76 million (2017: approximately HK$42.93 million), representing a year-on-year decrease of approximately 10%. The segment loss before tax amounted to approximately HK$4.11 million (2017: segment loss before tax amounted to approximately HK$4.80 million), representing a year-on-year decrease of approximately 14%.

Other Income

Other income mainly included the interest income from deposits, short-term investments and other financial assets/available-for-sale financial assets of approximately HK$45.84 million (2017: approximately HK$49.01 million), representing a year-on-year decrease of approximately 6%. The total amount of other income was approximately HK$58.58 million (2017: approximately HK$54.83 million), representing a year-on-year increase of approximately 7%.

Selling and administrative expenses

During the year under review, the selling expenses was approximately HK$14.06 million (2017: approximately HK$14.59 million), representing a year-on-year decrease of approximately 4%. The administrative expenses amounted to approximately HK$92.34 million (2017: approximately HK$99.42 million), representing a year-on-year decrease of approximately 7%.

Gains on Disposal of a Subsidiary

In December 2018, the Group completed the disposal of the interests in Cuidao Hotspring Hotel which was originally planned for operating hotspring hotel or elderly business, and recorded a non-recurring gains on the disposal of a subsidiary of approximately HK$110.80 million (2017: HK$ nil). Details of the agreement in relation to the disposal of the interests in Cuidao Hotspring Hotel were set out in the announcements of the Company dated 11 September 2018 and 29 October 2018.

Finance Costs

During the year under review, the finance costs mainly composed of the interest on bank borrowings. The total finance costs were approximately HK$9.04 million (2017: approximately HK$21.72 million), representing a year-on-year decrease of approximately 58%. After deducting the finance costs of approximately HK$2.53 million (2017: approximately HK$8.77 million) which were capitalised during the year under review, the net finance costs were approximately HK$6.51 million (2017: approximately HK$12.95 million), representing a year-on-year decrease of approximately 50%. The significant decrease in finance costs was mainly attributable to the decrease in related interest expenses from approximately HK$14.33 million of last year to HK$ nil for the year, as the Company fully redeemed the RMB600 million bonds issued by it in May 2017.

III. OUTLOOK

Looking back at 2018, the world economy grew in different directions from synchronised recovery. The American economy recovered strongly while the economic growth of the Eurozone and emerging economies slowed down. Major central banks across the globe adopted different monetary policies. During the year, the Federal Reserve raised interest rates four times, the central banks of Europe and Japan continued to maintain ultra-low interest rates and the central bank of China reduced deposit reserve ratio four times in a row. In 2018, facing a complex and volatile domestic and international environment amid the interest rate hikes by the Federal Reserve and China-US trade war, China's GDP hit RMB90 trillion for the first time with the growth rate slowing down to 6.6%. In general, China's economy remained stable and manageable.

Looking forward, the recovery of world economy will still face various deep-seated problems such as escalating trade disputes, rising debt levels and the changes of monetary policies of developed economies. A number of international institutions recently expected that the world economy would slow down in 2019. In the short term, China's economy will still be under considerable downward pressures, and China will further the supply-side structural reform to promote the high quality development of its economy. In the medium-long term, China will still possess favorable development conditions and enormous development potentials.

In the face of opportunities and challenges, the Group will closely monitor to the latest international and domestic economic and financial development, evaluate the situation and seize the opportunities. While implementing the improvement in quality and efficiency and exploring the potential of its existing businesses, the Group 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 its existing businesses: for finance leasing, while putting more efforts on exploring overseas leasing business, the Group will make good use of the background advantage of its controlling shareholder of being a state-owned capital operation company, vigorously explore the business demand in areas such as equipment manufacturing, energy conservation and environment protection and infrastructure construction, gradually expand its business scale; in relation to property development and property investment, the Group's overall strategy is to selectively withdraw from some projects so as to have the cash flows to serve its strategic transformation; with regard to bulk commodity trading, the Group will continue to cautiously develop business relating to bulk commodity trading with stringent risk control; regarding hotel and marine travelling services, on one hand, the Group will complete the upgrade and renovation of the 海南寰島海底世界酒店 (Undersea World Hotel) in the coming year, and on the other hand, it will seize the strategic opportunities brought by the establishment of free trade zone (port) with its establishment in Hainan to further expanding new travelling resources.

In respect of the exploration of new businesses: the Group will rely on the resources advantages of China Chengtong Holdings Group Limited, the controlling shareholder of the Group, focus on the "One Belt, One Road" national strategy, continue exploring new businesses areas, expand overseas financing channels and improve its international business level. Meanwhile, the Group will focus on new business direction, increase its effort in recruiting talents, reinforce internal control structure and management, and improve the capability in risk management.

After the business adjustment and optimisation in recent years, the Group has a relatively high proportion of cash assets, which has laid a solid foundation for the next transformation and development during the current economic downturn. The Group will proactively seize market opportunities and strive to make innovation, so as to create more values for the shareholders. The Board has full confidence in the future development of the Group.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a sound financial position. As at 31 December 2018, equity attributable to owners of the Company amounted to approximately HK$2,761.71 million (as at 31 December 2017: approximately HK$2,838.61 million), representing a decrease by approximately 3% as compared with the equity attributable to owners of the Company as at 31 December 2017.

As at 31 December 2018, the total assets of the Group amounted to approximately HK$3,590.30 million, representing an increase by approximately 0.4% as compared to the total assets as at 31 December 2017. The amount of total current assets of the Group was approximately HK$3,011.70 million, accounting for approximately 84% of the total assets and representing an increase by approximately 11% as compared to the total current assets as at 31 December 2017. The total non-current assets of the Group amounted to approximately HK$578.61 million, accounting for approximately 16% of the total assets and representing a decrease by approximately 33% as compared to the total non-current assets as at 31 December 2017.

Total liabilities of the Group amounted to approximately HK$693.16 million, representing an increase of approximately HK$104.81 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$51.79 million and accounted for approximately 7% of the total liabilities and represented a decrease of approximately HK$29.84 million as compared with that as at the same date of last year. The total current liabilities of the Group amounted to approximately HK$641.37 million and accounted for approximately 93% of the total liabilities, representing an increase of approximately HK$134.65 million as compared with that as at the same date of last year. The current ratio (calculated as total current assets over total current liabilities) was approximately 4.7 times, representing an decrease of approximately 0.7 time as compared to the current ratio of approximately 5.4 times as at 31 December 2017. Despite the decrease in current ratio, the liquidity of the assets of the Group remains strong.

The Group had cash and deposits (including pledged bank deposits, deposits in other financial institution and bank balances and cash) of approximately HK$907.42 million, accounting for approximately 25% and approximately 31% of the total assets and the net assets respectively, representing an increase of approximately HK$67.51 million as compared with the cash and deposits as at the same date of last year. As at 31 December 2018, the Group's bank borrowings were approximately HK$274.10 million, representing an increase of approximately HK$59.70 million as compared with the bank borrowings as at 31 December 2017 of approximately HK$214.40 million. Bank borrowings of approximately HK$74.10 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 2.67% to approximately 5.9% 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. SIGNIFICANT INVESTMENTS

Details of the significant investments in the portfolio under other financial assets as at 31 December 2018 are as follows:

Description of investment	Interest rate per annum	Approximate investment amount as at 31 December 2018	Fair value as at 31 December 2018 *(HK$'000)*	Approximate percentage to the Group's audited total assets as at 31 December 2018	Changes in fair value during the year 2018 *(HK$'000)*
Honghua Group Limited ("**Honghua Group**") (Stock code: 196) *(Note 1)*	N/A	HK$195,580,000	104,140	2.9%	(66,040) *(Note 2)*
Unlisted trust schemes managed by and investment product issued by PRC banks and financial institutions	3.3%-8.9%	RMB365,417,211	421,847	11.7%	5,431 *(Note 3)*
Unlisted interest bearing wealth management products in PRC banks	4.0%-7.0%	RMB65,000,000	74,100	2.1%	–
Interest bearing structured bank deposits with PRC banks	2.9%-4.5%	RMB210,000,000	239,400	6.7%	–

Note 1: The principal businesses of Honghua Group are manufacturing of drilling rigs, offshore engineering, manufacturing of oil & gas exploitation equipment and providing drilling services. The Group held 254,000,000 shares of Honghua Group, representing approximately 4.7% of the total issued shares of Honghua Group as at the date of this announcement. During the year, the Group did not receive any dividend income from Honghua Group.

Note 2: This financial asset is measured at fair value through other comprehensive income (non-recycling).

Note 3: This financial asset is measured at fair value through profit or loss.

During the year, the 3-year term notes issued by HNA Group (International) Company Limited with annual interest rate 8.125% was redeemed on maturity date in December 2018. The total interest income from this notes during the year ended 31 December 2018 was approximately HK$13,043,000.

For more details of the Group's other financial assets, please refer to note 10 to this announcement. Looking ahead, the Group anticipates to receive investment income from these investments and we intend to actively explore other potential investment opportunities to maximise shareholders' value.

VI. DEBT TO EQUITY RATIO

The debt to equity ratio (calculated by dividing total interest-bearing borrowings by total equity) as at 31 December 2018 was approximately 9%, representing an increase by approximately 2% as compared with the debt to equity ratio of approximately 7% as at 31 December 2017, which indicated a stable financial position and a low gearing level of the Group.

VII. 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 United States dollars, which exposes the Group to foreign currency risks. The HKD-denominated bank borrowings of the Group of approximately HK$200 million were based on floating interest rates, which exposed the Group to interest rate risks. The Group will use interest rate and foreign currency swaps and forward foreign exchange contracts as and when appropriate for risk management and hedging purposes with a view to managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative financing transactions for speculative purposes. It is also the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure including hedge funds or similar instruments.

VIII. INTEREST RATE RISK

As at 31 December 2018, the Group's bank borrowings were denominated in HKD and RMB, of which the RMB-denominated bank borrowings of approximately RMB65 million were based on fixed interest rates, and the HKD-denominated borrowings of approximately HK$200 million 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 the HKD-denominated bank borrowings which are based on floating interest rates.

IX. FOREIGN EXCHANGE RISK

During the year under review, 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 2018, the net assets of the Group's business within the territory of the PRC were approximately RMB2,605.86 million. According to HKASs, such amount of net assets denominated in RMB should be converted at the exchange rate applicable as at the end of the reporting period. Due to the decrease in foreign exchange reserve by approximately HK$135.02 million as a result of the depreciation of RMB during the year under review, there had been a decrease in net assets of the Group. Although foreign currency fluctuations did not pose significant risks to the Group during the year under review and the Group does not have any hedging measures against such exchange risks currently, the Group will continue to closely monitor the risks arising from such currency fluctuations.

X. PLEDGE OF ASSETS

(a) As at 31 December 2018, pledged bank deposits of the Group in the sum of approximately HK$1.26 million were pledged as security for banking facilities granted to mortgagees (as at 31 December 2017: approximately HK$1.32 million). The remaining balance of approximately HK$2.56 million of the Group's pledged bank deposit (as at 31 December 2017: approximately HK$2.69 million) was guaranteed 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$45.37 million as at 31 December 2018 and issuing a guarantee letter to the Supreme People's Court of Guangxi Zhuang Autonomous Region to the extent of approximately RMB53.54 million (equivalent to approximately HK$61.04 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.

XI. COMMITMENTS AND CONTINGENT LIABILITIES

Please refer to notes 13 and 14 in this announcement.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2018, the Group employed a total of 267 employees (as at 31 December 2017: 304), of which 11 (as at 31 December 2017: 12) were based in Hong Kong and 256 (as at 31 December 2017: 292) 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$62.80 million. Employee's remunerations are determined in accordance with their experiences, competence, qualifications, nature of duties, and current market trend. 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 determined having regard to the Company's corporate goals and the individual performance of the Directors. 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.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, 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 standards 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 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2018, 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 2018.

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 2018, save as disclosed below:

Mr. Yuan Shaoli resigned as the Chairman of the Board with effect from 1 December 2018. Upon his resignation, due to time needed by the Company to find suitable candidate for the replacement, Mr. Zhang Bin performs both the roles of the managing Director and the acting Chairman of the Board, which constitutes a deviation from Code Provision A.2.1 of the CG Code which provides that the roles of chairman and chief executive should be separate and should be performed by different individuals. The Company is identifying suitable candidate(s) for the relevant position(s) in order to re-comply with Code Provision A.2.1 of the CG Code.

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 2018 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

Pursuant to the provisions of the CG Code, the Board has established the remuneration committee of the Company ("**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 is primarily responsible for making recommendations to the Board on the remuneration policy and structure of the Company as well as on the remuneration packages of the members of the Board and the senior management.

NOMINATION COMMITTEE

The Company has established a nomination committee ("**Nomination Committee**") which comprises two independent non-executive Directors, namely Professor Chang Qing (chairman of the Nomination Committee) and Mr. Lee Man Chun, Tony, and an executive Director, namely Mr. Zhang Bin. 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 from time to time 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 2018 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 2018 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
Acting Chairman and Managing Director

Hong Kong, 25 February 2019

As at the date of this announcement, the executive Directors are 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.