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## **CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

**中國誠通發展集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

### **ANNOUNCEMENT OF 2011 FINAL RESULTS**

The board (the “Board”) of directors (the “Directors”) of China Chengtong Development Group Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2011 together with the comparative figures for the year ended 31 December 2010 as follows:

#### **CONSOLIDATED INCOME STATEMENT** *FOR THE YEAR ENDED 31 DECEMBER 2011*

	<i>NOTES</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Turnover	3	<b>419,483</b>	89,996
Cost of sales		<b>(358,907)</b>	<u>(78,672)</u>
Gross profit		<b>60,576</b>	11,324
Other income	4	<b>34,680</b>	8,914
Selling expenses		<b>(7,189)</b>	(2,154)
Administrative expenses		<b>(42,139)</b>	(41,636)
Gain on fair value change of investment properties		<b>17,004</b>	2,760
Gain on fair value change upon properties held for sale transferred to investment properties		<b>20,701</b>	—

**CONSOLIDATED INCOME STATEMENT** *(continued)*  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	<i>NOTES</i>	<b>2011</b> <b>HK\$'000</b>	2010 <b>HK\$'000</b>
(Loss) gain on fair value change of held-for-trading securities		<b>(195)</b>	2,099
Gain on disposals of subsidiaries		<b>18,660</b>	99,817
Net reversal of provisions for claims		—	18,076
Impairment of goodwill		—	(209)
Finance costs	5	<b>(26,290)</b>	(29)
Profit before taxation		<b>75,808</b>	98,962
Taxation	6	<b>(27,589)</b>	(12,690)
Profit for the year	7	<b>48,219</b>	86,272
Profit (loss) for the year attributable to:			
Owners of the Company		<b>36,381</b>	87,890
Non-controlling interests		<b>11,838</b>	(1,618)
		<b>48,219</b>	86,272
Earnings per share	9		
— Basic		<b>HK0.87 cents</b>	HK2.11 cents
— Diluted		<b>N/A</b>	N/A

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	<i>NOTE</i>	<b>2011</b> <b>HK\$'000</b>	2010 <b>HK\$'000</b>
Profit for the year	7	<b>48,219</b>	86,272
Other comprehensive income			
Exchange differences arising during the year		<b>53,106</b>	47,133
Total comprehensive income for the year		<b>101,325</b>	133,405
Total comprehensive income attributable to:			
Owners of the Company		<b>84,073</b>	130,267
Non-controlling interests		<b>17,252</b>	3,138
Total comprehensive income for the year		<b>101,325</b>	133,405

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	<i>NOTES</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>8,400</b>	8,047
Investment properties		<b>237,741</b>	222,784
Restricted bank balance		<b>—</b>	4,200
Receivable under finance lease arrangement	11	<b>11,139</b>	—
		<b>257,280</b>	235,031
Current assets			
Properties under development		<b>251,427</b>	318,030
Properties held for development		<b>301,133</b>	291,259
Properties held for sale		<b>152,533</b>	—
Coal and bulk commodity		<b>74,896</b>	—
Trade and other receivables	10	<b>761,363</b>	67,378
Receivable under finance lease arrangement	11	<b>11,665</b>	60,154
Amount due from a non-controlling shareholder of a subsidiary		<b>18,567</b>	17,958
Entrusted loan receivables	12	<b>113,714</b>	—
Held-for-trading securities		<b>1,281</b>	8,266
Short-term investments	13	<b>328,404</b>	—
Restricted bank balance		<b>4,200</b>	—
Bank balances and cash		<b>948,829</b>	716,617
		<b>2,968,012</b>	1,479,662
Current liabilities			
Trade and other payables	14	<b>144,189</b>	35,525
Deposits received on sale of properties		<b>14,573</b>	39,396
Amounts due to related companies		<b>—</b>	508
Amount due to ultimate holding company		<b>—</b>	461
Taxation payable		<b>9,904</b>	8,663
Bank borrowings	15	<b>643,937</b>	47,200
Unsecured other loans		<b>600</b>	600
Loan from a non-controlling shareholder of a subsidiary		<b>549</b>	—
		<b>813,752</b>	132,353
Net current assets		<b>2,154,260</b>	1,347,309
Total assets less current liabilities		<b>2,411,540</b>	1,582,340

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

AT 31 DECEMBER 2011

	NOTES	2011 HK\$'000	2010 HK\$'000
Non-current liabilities			
Deferred tax liabilities		12,953	1,907
Corporate bonds	16	721,845	—
		<u>734,798</u>	<u>1,907</u>
Net assets		<u>1,676,742</u>	<u>1,580,433</u>
Capital and reserves			
Share capital		416,346	417,344
Share premium and reserves		1,057,647	1,005,042
Equity attributable to owners of the Company		1,473,993	1,422,386
Non-controlling interests		202,749	158,047
Total equity		<u>1,676,742</u>	<u>1,580,433</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **New and revised Standards and Interpretations applied in the current year**

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments

Except as described below, the application of the new and revised HKFRSs has had no material impact on the consolidated financial statements of the Group for current or prior accounting periods.

HKAS 24 “Related party disclosures (Revised)” (“HKAS 24 (Revised)”) has been revised on the following two aspects: (a) HKAS 24 (Revised) introduces a partial exemption from the disclosure requirements for government-related entities and (b) HKAS 24 (Revised) has changed the definition of a related party. The Company is a government related entity. In its annual consolidated financial statements for the year ended 31 December 2009, the Group had early applied the partial exemption from the disclosure requirements for government-related entities. In the current year, the Group has applied for the first time the revised definition of a related party as set out in HKAS 24 (Revised).

HKAS 24 (Revised) requires retrospective application. The application of HKAS 24 (Revised) has had no effect on the amounts recognised or recorded in the consolidated financial statements for the current and prior periods.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (*continued*)

### **New and revised HKFRSs issued but not yet effective**

The Group has not applied the following new and revised HKFRSs that have issued but not yet effective:

HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities <sup>2</sup>
HKFRS 9	Financial instruments <sup>3</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
HKFRS 10	Consolidated financial statements <sup>2</sup>
HKFRS 11	Joint arrangements <sup>2</sup>
HKFRS 12	Disclosure of interests in other entities <sup>2</sup>
HKFRS 13	Fair value measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>5</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>4</sup>
HKAS 19 (Revised 2011)	Employee benefits <sup>2</sup>
HKAS 27 (Revised 2011)	Separate financial statements <sup>2</sup>
HKAS 28 (Revised 2011)	Investments in associates and joint ventures <sup>2</sup>
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities <sup>6</sup>
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2014.

### **Amendments to HKAS 12 Deferred tax: Recovery of underlying assets**

The amendments to HKAS 12 titled “Deferred tax: Recovery of underlying assets” provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012.

## **2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)**

### **Amendments to HKAS 12 Deferred tax: Recovery of underlying assets (continued)**

The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the People’s Republic of China (the “PRC”) that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

### **Amendments to HKFRS 7 Disclosures: Transfers of financial assets**

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group’s disclosures regarding transfers of financial assets in the future.

### **HKFRS 13 Fair value measurement**

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

## **2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)**

### **HKFRS 13 Fair value measurement (continued)**

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

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

## **3. SEGMENT INFORMATION**

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

The Group’s reportable segments under HKFRS 8 for the year ended 31 December 2010 included four operations: (i) property development, (ii) property investment (iii) financial leasing (iv) trading of coal. During the year ended 31 December 2011, the Group has developed a new operation and the reportable segments have increased to five segments, namely (i) property development; (ii) property investment; (iii) financial leasing; (iv) trading of coal and (v) bulk commodity trade.

The Groups’ reportable segments under HKFRS 8 are the following five operations:

- (1) Property development — holding land for property development projects;
- (2) Property investment — providing rental services and holding investment properties for appreciation;
- (3) Financial leasing — providing financial leasing service including arranging sales and leaseback transaction;
- (4) Trading of Coal — trading of coal in the PRC; and
- (5) Bulk commodity trade — trading of bulk commodity in Hong Kong and the PRC.



### 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 2011*

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Financial leasing <i>HK\$'000</i>	Trading of coal <i>HK\$'000</i>	Bulk commodity trade <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue						
— external sales	4,478	102,001	8,278	278,690	776,338	1,169,785
Less: Cost of bulk commodity	—	—	—	—	(750,302)	(750,302)
Turnover as presented in consolidated income statement	<u>4,478</u>	<u>102,001</u>	<u>8,278</u>	<u>278,690</u>	<u>26,036</u>	<u>419,483</u>
Result						
Segment result <i>(Note (a))</i>	<u>909</u>	<u>1,887</u>	<u>16,542</u>	<u>8,395</u>	<u>25,929</u>	53,662
Gain on fair value change of investment properties <i>(Note (b))</i>						17,004
Gain on fair value change upon properties held for sale transferred to investment properties <i>(Note (b))</i>						20,701
Gain on disposal of a subsidiary <i>(Note (b))</i>						18,660
Loss on fair value change of held-for-trading securities						(195)
Unallocated finance cost						(22,593)
Unallocated corporate expenses						(13,483)
Unallocated other income						<u>2,052</u>
Profit before taxation						<u>75,808</u>

### 3. SEGMENT INFORMATION *(continued)*

#### Segment revenue and results *(continued)*

*For the year ended 31 December 2011 (continued)*

Notes:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Financial leasing <i>HK\$'000</i>	Trading of coal <i>HK\$'000</i>	Bulk commodity trade <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
(a) Amounts included in the measure of segment results							
Interest income from bank deposits and bill receivables and short-term investments	11,509	746	6,537	257	25	1,663	20,737
Interest income from entrusted loan receivables	—	—	5,210	—	—	—	5,210
Depreciation	(534)	(422)	(128)	(3)	(6)	(19)	(1,112)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance							
Gain on fair value change of investment properties	17,004	—	—	—	—	—	17,004
Gain on fair value change upon properties held for sale transferred to investment properties	20,701	—	—	—	—	—	20,701
Gain on disposal of a subsidiary	<u>18,660</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,660</u>

### 3. SEGMENT INFORMATION *(continued)*

#### Segment revenue and results *(continued)*

*For the year ended 31 December 2010*

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Financial leasing <i>HK\$'000</i>	Trading of coal <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover as presented in consolidated income statement					
Segment revenue — external sales	<u>2,129</u>	<u>19,766</u>	<u>2,187</u>	<u>65,914</u>	<u>89,996</u>
Result					
Segment result <i>(Note (a))</i>	<u>1,574</u>	<u>9,531</u>	<u>1,571</u>	<u>(20)</u>	12,656
Gain on fair value change of investment properties <i>(Note (b))</i>					2,760
Gain on disposal of subsidiaries <i>(Note (b))</i>					99,817
Gain on fair value change of held-for-trading securities					2,099
Unallocated corporate expenses					(18,707)
Unallocated other income					<u>337</u>
Profit before taxation					<u>98,962</u>

### 3. SEGMENT INFORMATION *(continued)*

#### Segment revenue and results *(continued)*

*For the year ended 31 December 2010 (continued)*

Notes:

	Property investment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Financial leasing <i>HK\$'000</i>	Trading of coal <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
(a) Amounts included in the measure of segment results						
Interest income from bank deposits and bill receivable	3,896	763	74	11	285	5,029
Loss on disposal of property, plant and equipment	(4)	—	—	—	—	(4)
Depreciation	(286)	(1,206)	—	—	(19)	(1,511)
Impairment of goodwill	—	—	—	(209)	—	(209)
Write-off of other receivable	—	—	—	—	(393)	(393)
Net reversal of provisions for claims	—	18,076	—	—	—	18,076
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance						
Gain on fair value change of investment properties	2,760	—	—	—	—	2,760
Gain on disposals of subsidiaries	<u>33,217</u>	<u>52,394</u>	<u>—</u>	<u>—</u>	<u>14,206</u>	<u>99,817</u>

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements except that the inclusion of gross proceeds from bulk commodity trade as segment revenue of bulk commodity trade segment. Segment results represent the results from each segment without allocation of administration costs incurred and other income generated by head office and the inactive subsidiaries, directors' salaries, gain on disposal of subsidiaries and fair value change of investment properties and held-for-trading securities and finance cost of corporate bonds. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

### 3. SEGMENT INFORMATION *(continued)*

#### Other segment information

The Group's significant operations, external customers and non-current assets during the year ended 31 December 2011 and 2010 were located in Hong Kong (place of domicile) and the PRC. Geographical information of revenue from external customers is determined with reference to the place of title and risk of goods transferred.

	Revenue from external customers		Non-current assets	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong	26,036	—	729	78
The PRC	393,447	89,996	245,412	230,753
	<u>419,483</u>	<u>89,996</u>	<u>246,141</u>	<u>230,831</u>

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

	2011 HK\$'000	2010 HK\$'000
Customer A <i>(note 1)</i>	136,953	N/A
Customer B <i>(note 1)</i>	61,103	N/A
Customer C <i>(note 2)</i>	N/A	65,914
	<u>198,056</u>	<u>65,914</u>

#### Notes:

- Revenue from trading of coal and no revenue from this customer was recognised for the year ended 31 December 2010.
- Revenue from trading of coal attributable to this customer was less than 10% of the total turnover of the Group for the year ended 31 December 2011.

### 3. SEGMENT INFORMATION *(continued)*

#### Turnover from major products and services

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Rental income	4,478	2,129
Sales of properties	102,001	19,766
Service income from financial leasing*	8,278	2,187
Sales of coal	278,690	65,914
Gain on bulk commodity trade	26,036	—
	<u>419,483</u>	<u>89,996</u>

\* Service income from financial leasing included interest income from leasing arrangement and handling income. When a finance lease receivable is factored to a bank under a non-recourse arrangement, the handling income charged by the Group is recognised immediately and included in service income from financial leasing. Amount of HK\$1,105,000 (2011: nil) was included in the service income from financial leasing for the year ended 31 December 2010.

### 4. OTHER INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest income from bank deposits and bills receivable and short-term investments	20,737	5,029
Interest income from entrusted loan receivables	5,210	—
Interest income from China Chengtong Hong Kong Company Limited (“CCHK”), an intermediate holding company of the Company <i>(Note)</i>	350	—
Interest income from a fellow subsidiary <i>(Note)</i>	462	—
Interest income from a non-controlling shareholder of a subsidiary	—	1,033
Commission income from procurement services related to coal trading and arranging bulk commodity trade	3,377	—
Gain on fair value change of derivative financial instruments	2,086	—
Penalty income from overdue finance lease receivable	1,039	—
Others	1,419	1,106
Reimbursement of shared claims expenditure from a fellow subsidiary	—	1,746
	<u>34,680</u>	<u>8,914</u>

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

## 5. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on corporate bonds	22,593	—
Interest on bank and other borrowings wholly repayable within five years	3,835	2,781
Interest on discounted bills	3,697	—
Interest paid to former non-controlling shareholders of subsidiaries	—	80
	<u>30,125</u>	<u>2,861</u>
Less: Amounts capitalised ( <i>Note</i> )	<u>(3,835)</u>	<u>(2,832)</u>
	<u><u>26,290</u></u>	<u><u>29</u></u>

*Note:* The amount represents the borrowing costs that directly attributable to the properties under development.

## 6. TAXATION

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 on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiaries are subject to tax rate of 25% from 1 January 2008 onwards.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The taxation charge comprises:		
Current tax:		
Hong Kong	3,698	—
PRC Enterprise Income Tax	12,341	10,801
PRC land appreciation tax	712	—
	<u>16,751</u>	<u>10,801</u>
Underprovision in prior year:		
PRC Enterprise Income Tax	<u>37</u>	—
Deferred taxation		
Current year charge	<u>10,801</u>	<u>1,889</u>
Taxation charge for the year	<u><u>27,589</u></u>	<u><u>12,690</u></u>

## 7. PROFIT FOR THE YEAR

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year is arrived at after charging (crediting):		
Auditor's remuneration	<b>1,000</b>	850
Depreciation of property, plant and equipment	<b>1,252</b>	1,633
Less: Amounts capitalised in properties under development	<b>(140)</b>	(122)
	<b>1,112</b>	1,511
Minimum lease payments in respect of rented premises	<b>3,075</b>	2,897
Contributions to retirement benefits schemes (including directors' emoluments)	<b>1,007</b>	1,137
Staff costs (including directors' emoluments)	<b>13,703</b>	18,476
Total staff costs	<b>14,710</b>	19,613
Less: Amounts capitalised in properties under development	<b>(1,528)</b>	(998)
	<b>13,182</b>	18,615
Cost of inventories recognised as an expense	<b>356,668</b>	77,334
Exchange loss	<b>1,138</b>	218
Write-off of other receivable	—	393
Impairment of goodwill	—	209
Reversal of allowance for trade and other receivables	—	(115)
Loss on disposal of property, plant and equipment	—	4

## 8. DIVIDENDS

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
2010 Final — HK0.7 cents per share (2010: no final dividend for 2009)	<b>29,214</b>	—

During the current year, a final dividend of HK0.7 cents per share totalled HK\$29,214,000 (2010: nil) in respect of the year ended 31 December 2010 was declared and paid to the owners of the Company.



## 8. DIVIDENDS *(continued)*

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

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$36,381,000 (2010: HK\$87,890,000) attributable to the owners of the Company and on the weighted average number of 4,170,974,917 (2010: 4,173,434,227) ordinary shares in issue during the year.

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

## 10. TRADE AND OTHER RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables <i>(note)</i>	83,794	37,076
Bill receivables from bulk commodity trade <i>(note)</i>	<u>611,423</u>	<u>—</u>
Trade and bill receivables	<u>695,217</u>	<u>37,076</u>
Prepayments and deposits	63,522	3,267
Bill receivable received upon disposal of a subsidiary	—	24,780
Other receivables	<u>2,624</u>	<u>2,255</u>
Total trade and other receivables	<u><u>761,363</u></u>	<u><u>67,378</u></u>

*Note:*

Trade and bill receivables mainly arose from sales of coal and bulk commodity trade. There is no credit period granted to customers of coal trading business and trade receivables are due upon the delivery of goods to customers. Bulk commodity trade are settled by cash or bills issued by PRC banks which are receivable after 3 months to 1 year from the date of issuance.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within one month	83,794	—
Two to three months	<u>—</u>	<u>37,076</u>
	<u><u>83,794</u></u>	<u><u>37,076</u></u>

## 10. TRADE AND OTHER RECEIVABLES *(continued)*

*Note: (continued)*

As at 31 December 2011, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$83,794,000 (2010: HK\$37,076,000) are past due at the reporting date for which the Group has not provided for impairment loss as the directors are of the view that such receivables can be fully recovered. The Group does not hold any collateral over these balances.

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

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

At 31 December 2011, most banker's acceptances have been discounted to the banks with recourse. Accordingly, the Group continues to include these discounted banker's acceptances under bills receivables and has recognised the cash received as bank borrowings (see note 15).

## 11. RECEIVABLE UNDER FINANCE LEASE ARRANGEMENT

During the year ended 31 December 2011, the Group entered into a finance lease agreement pursuant to which a financial leasing customer (the "lessee") sold its equipment to the Group at RMB27,180,000 (equivalent to approximately HK\$29,340,000) (2010: RMB50,000,000 (equivalent to approximately HK\$59,000,000)) and leased back the equipment with the lease period of 3 years (2010: 3 months) from the date of inception. The interest rate inherent in the lease is variable based on the benchmark rate offered by the People's Bank of China (2010: the interest rate inherent in the lease was fixed at the contract date over the lease term). In addition, the ownership of leased assets will be transferred to the lessee at a purchase option of RMB100 (equivalent to approximately HK\$120) (2010: RMB100 (equivalent to approximately HK\$118)) upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

## 11. RECEIVABLE UNDER FINANCE LEASE ARRANGEMENT *(continued)*

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Finance lease receivables				
comprise amounts receivable:				
Within one year	14,826	60,384	11,665	60,154
In more than one year but not exceeding two years	12,131	—	11,139	—
	<u>26,957</u>	<u>60,384</u>	<u>22,804</u>	<u>60,154</u>
Less: Unearned finance income	<u>(4,153)</u>	<u>(230)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease payment receivables	<u><u>22,804</u></u>	<u><u>60,154</u></u>	<u><u>22,804</u></u>	<u><u>60,154</u></u>
Analysed for reporting purposes as:				
Current assets			11,665	60,154
Non-current assets			11,139	—
			<u><u>22,804</u></u>	<u><u>60,154</u></u>

Effective interest rates ranged from approximately 9.38% to 17.32% (2010: 9.38%) per annum.

As at 31 December 2010, the receivable under finance lease arrangement was secured over the leased equipment and the Group had a collateral of the leasehold land and buildings of an independent third party with estimated value of approximately RMB109,758,000 (equivalent to approximately HK\$129,515,000) and guarantee provided by the independent third party over these receivables. The Group was not permitted to sell or repledge the collateral in absence of default by the lessee. The finance lease agreement was extended in 2011 and the amount has been fully settled by August 2011.

As at 31 December 2011, the receivable under finance lease arrangement is secured by the leased equipment and the Group has guarantees provided by controlling shareholder of the lessee and the independent third party. The Group is not permitted to sell or repledge the collateral in absence of default by the lessee. The lessee is required to pay the Group through 33 monthly lease payments from 27 February 2011 up to 27 October 2013.

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

## 12. ENTRUSTED LOAN RECEIVABLES

During the year ended 31 December 2011, the Group had entered into two entrusted loan arrangements with financial institutions, in which the Group acted as the entrusting parties and the financial institutions acted as the lenders to provide funding to specified borrowers. Details of the entrusted loan receivables are as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Entrusted loan receivables:		
Principal	109,800	—
Interest receivables	3,914	—
	<u>113,714</u>	<u>—</u>
Within one year	<u>113,714</u>	<u>—</u>

As at 31 December 2011, all entrusted loan receivables carry fixed-rate interest and the contractual maturity dates are within one year from the respective date of borrowing.

## 13. SHORT-TERM INVESTMENTS

During the year ended 31 December 2011, the Group purchased short-term investments via three PRC banks. Short-term investments represent investments in treasury bills and commercial papers of certain corporations and banks in the PRC with maturity within one to three months and an estimated return ranging from 5.10% to 5.50% per annum. The accrued and unpaid interest will be received upon maturity. The Group does not have the right to redeem the investments before maturity. The directors of the Company consider that the carrying value of short-term investments approximate their fair value at end of the reporting period as it is highly liquid and credit risk involved is insignificant. Included in the short-term investments are amounts of (i) HK\$243,004,000 with maturity in January 2012 and (ii) HK\$85,400,000 with maturity in February 2012. These short-term investments are subsequently collected on the maturity date, which the redemption amounts approximate to their carrying amounts as at 31 December 2011.

## 14. TRADE AND OTHER PAYABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within one year	<u>56,898</u>	<u>1,436</u>

## 15. BANK BORROWINGS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Secured bank borrowings		
Discounted bills with recourse ( <i>note 10</i> )	595,137	—
Short-term bank loans	<u>48,800</u>	<u>47,200</u>
	<u>643,937</u>	<u>47,200</u>

The Group carried out bulk commodity trade business involving purchase and sale transactions. In order to monitor the credit risk, most sales are settled by bills issued by stated-owned banks or commercial banks in the PRC and are receivable after 3 months to 1 year from the date of issuance. Most bill receivables have been discounted to banks with recourse to facilitate the operation of the bulk commodity trade. Accordingly, the Group continues to include these discounted bill receivables and has recognised the cash received as bank borrowings. Discounted bills with recourse are interest bearing at fixed rate with a range from 2.03% to 3.40% (2010: nil) per annum. Total finance cost in relation to bulk commodity trade will be charged to profit or loss over the relevant period of the discounted bills with recourse amounted to HK\$16,559,000 (2010: nil) and unamortised portion of finance cost in relation to these discounted bills as at 31 December 2011 amounting to HK\$15,476,000 (2010: nil) will be charged to profit or loss in 2012. The interest rate is determined at the date of inception. All discounted bills with recourse are secured by bill receivables as at 31 December 2011.

Short-term bank loans are used for financing the property development projects held by the Group. As at 31 December 2011, the bank loans of HK\$48,800,000 (2010: HK\$47,200,000) are secured by the land use right included in property held for development amounting to approximately HK\$108,580,000 (2010: HK\$106,800,000) and carry interest of approximately 7.216% per annum (2010: carried interest rate at 5.81% per annum), which are 110% (2010: 100%) of the benchmark rate offered by the People's Bank of China.

All bank borrowings are repayable with one year and classified as current liabilities.

## 16. CORPORATE BONDS

As at 31 December 2011, the corporate bonds are fixed rate bonds issued by the Company (the “Bonds”). The Bonds were issued on 19 May 2011 with a principal amount of RMB600,000,000 (equivalent to approximately HK\$720,000,000) and a fixed interest at 4.5% per annum.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Corporate bonds	<u>721,845</u>	<u>—</u>

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

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

## 17. CONTINGENT LIABILITIES

In September 2010, 誠通實業投資有限公司 (「誠通實業」), a wholly-owned subsidiary of the Company, has lodged a litigation to the court in the PRC as plaintiff against a tenant, requesting for termination of a tenancy agreement for reason of the breach of such tenancy agreement by, among other matters, the unauthorised sub-lease of the leased property, construction of an unauthorised structure (“the Buildings”) and transfer of the Buildings to a third party, by the tenant.

In September 2011, the court in the PRC has released the court order in favour of 誠通實業 to terminate such tenancy agreement with the tenant and the tenant has to transfer the ownership of the Buildings to 誠通實業 at a consideration of approximately RMB5,028,000 (equivalent to approximately HK\$6,034,000) for acquiring the Buildings. In September 2011, the tenant and third party lodged an appeal to the court in the PRC. No settlement has been reached up to the date of issuance of this announcement.

## **18. COMMITMENT**

The Company entered into an agreement dated 27 July 2011 and a supplemental agreement dated 29 August 2011 with its ultimate holding company, China Chengtong Holdings Group Limited (“CCHG”) and its intermediate holding company, CCHK, for the acquisition of interests in several subsidiaries of CCHG at a consideration of RMB254,000,000 (subject to adjustment). These subsidiaries are mainly engaged in hotel operation and provision of marine entertainment services and sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts in Hainan Province, the PRC. The proposed acquisition has not yet been completed as certain conditions precedent to the transaction have not been satisfied as of the date of issuance of this announcement. Details of the proposed acquisition are set out in the Company’s circular dated 30 September 2011.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **I. FINANCIAL RESULTS**

Turnover of the Group for the year ended 31 December 2011 was approximately HK\$419 million, representing a significant increase of approximately 3.7 times as compared with HK\$90 million for the year ended 31 December 2010. The increase was mainly attributable to the turnover contribution from the Group’s newly-commenced bulk commodity trade as well as the substantial increase in turnover of the trading of coal and financial leasing businesses commenced in 2010 as well as the original property development business for the year under review as compared with 2010.

During the year under review, the total gross profit from all business activities of the Group amounted to approximately HK\$60.58 million, representing a considerable increase of approximately 4.4 times as compared with approximately HK\$11.32 million in 2010. It was attributable to the increase in turnover of each business segment.

The Group recorded profit attributable to shareholders of approximately HK\$36.38 million for the year ended 31 December 2011, representing a decrease of approximately 59% as compared with approximately HK\$87.89 million for the year ended 31 December 2010, which was mainly attributable to the non-recurrent gain of approximately HK\$99.82 million from disposal of certain subsidiaries in 2010.

## II. BUSINESS REVIEW

### (1) Bulk Commodity Trade

In the fourth quarter of 2011, the Group established two subsidiaries Chengtong Development International Trading Limited (“Chengtong International Trading”) in Hong Kong and 杭州瑞能金屬材料有限公司 (unofficial translation as Hangzhou Ruineng Metals Company Limited) in Mainland China, with a view to carry on bulk commodity trade in Hong Kong and Mainland China respectively to enlarge the Group’s business scope and size.

Since Chengtong International Trading went into operation in November 2011, it achieved revenue of approximately HK\$776.34 million and recorded turnover and gross profit of approximately HK\$26.04 million and post-tax profit of approximately HK\$18.72 million during the year under review. Bills receivable in relation to bulk commodity trade were discounted to banks, and the finance cost of discounted bills with recourse is amortised to the profit and loss account over the relevant period according to the Hong Kong Accounting Standards totalled approximately HK\$16.6 million, out of which the unamortised portion amounting to approximately HK\$15.5 million will be charged to profit and loss in 2012.

### (2) Financial Leasing

During the year under review, 誠通融資租賃有限公司 (unofficial translation as Chengtong Financial Leasing Company Limited) (“Chengtong Financial Leasing”), the Group’s wholly-owned subsidiary set up in September 2010, recorded turnover and gross profit of approximately HK\$8.28 million respectively, representing an approximately 2.8 times increase as compared with HK\$2.19 million respectively in 2010. Taking account of the interest income earned from entrusted loans, Chengtong Financial Leasing recorded post-tax profit of approximately HK\$12.25 million, representing a significant increase of approximately 9.4 times as compared with HK\$1.18 million in 2010.

### (3) Trading of Coal

Trading of coal business is currently one of the principal activities of the Group. 大豐瑞能燃料有限公司 (unofficial translation as Dafeng Ruineng Fuel Company Limited) (“Dafeng Ruineng”), a subsidiary acquired by the Group in the fourth quarter of 2010, engages in trading of coal. During the year under review, Dafeng Ruineng bought and sold approximately 330,000 tonnes of coal and recorded turnover and gross profit of approximately HK\$279 million and approximately HK\$11.83 million, representing a substantial increase of 3.2 times and 31 times respectively as compared with approximately HK\$65.91 million and approximately HK\$0.37 million respectively in 2010. Dafeng Ruineng recorded net-post-tax profit of HK\$6.31 million in 2011 as compared with post-tax loss of HK\$0.07 million in 2010.



#### **(4) Property Development**

##### **(i) Zhucheng of Shandong Province**

During the year under review, 諸城鳳凰置地有限公司 (unofficial translation as Zhucheng Phoenix Landmark Company Limited) (“Zhucheng Phoenix”) actively pushed forward (i) the development and delivery of CCT-Champs-Elysees Phase I, (ii) the preliminary preparation, commencement of construction and development of section 1 of Phase II. It kept a close eye on market changes and came up with corresponding strategies. Amid a weak property market in Mainland China, Zhucheng Phoenix leased out part of its commercial spaces with an area of approximately 3,794 square metres to increase returns to shareholders. The relevant leased area was reclassified from properties held-for-sale (carried at cost) to investment properties (carried at fair value), which led to a rise of HK\$20.7 million in the fair value of investment properties.

During the year under review, CCT-Champs-Elysees Phase I were put on market for sale. The saleable areas of apartments and underground ancillary apartments sold and delivered amounted to approximately 19,424 square metres and 1,576 square metres respectively. Furthermore, 20 underground and 39 aboveground parking spaces were sold and delivered. This project recorded total net sales revenue of approximately HK\$86.49 million and a total gross profit of HK\$9.4 million.

As of 31 December 2011, the remaining area of the completed but unsold spaces of CCT-Champs-Elysees Phase I included approximately 22,289 square metres of apartments and approximately 2,006 square metres of commercial spaces (excluding the leased area of approximately 3,794 square metres and approximately 1,410 square metres to be leased out in April 2012). The uncompleted residential spaces of Phase I amounted to approximately 21,937 square metres.

##### **(ii) Dafeng of Jiangsu Province**

誠通大豐海港開發有限公司 (unofficial translation as Chengtong Dafeng Harbour Development Limited) (“Dafeng Development”) holds a parcel of industrial land and four parcels of residential and commercial land in Dafeng City, Jiangsu Province. During the year under review, Dafeng Development started sale of section I of the initial development area of “Chengtong International City”, which is located to the north of one of the aforesaid four parcels of residential and commercial land. The areas of residential buildings and serviced apartments that were sold and delivered amounted to approximately 1,951 square metres and 2,468 square metres respectively, generating total net sales revenue of approximately HK\$15.51 million and a total gross profit of HK\$2.79 million. As of 31 December 2011, the remaining saleable area of residential buildings, serviced apartments, commercial units (along with ancillary facilities) and office buildings were approximately 650 square metres, 1,366 square metres, 6,364 square metres and 3,176 square metres respectively.

In 2012, the Group will continue proceeding with the development of section II of the initial development area of “Chengtong International City”. Its planning scheme has been completed.

## (5) Property Investment

### (i) Land Resources Development

After completion in November 2009 of the acquisition of 100% equity interest in 誠通實業投資有限公司 (unofficial translation as Chengtong Industrial Investment Limited) (“Chengtong Industrial”) from a subsidiary of China Chengtong Holdings Group Limited (“CCHG”), the ultimate controlling company of the Company, the Group became the holder of three parcels of land located in Changzhou of Jiangsu Province, Shenyang of Liaoning Province and Guilin of Guangxi Province with a land area of approximately 84,742 square metres, 247,759 square metres and 55,412 square metres respectively, and certain buildings erected thereon.

In September 2011, the Group entered into an equity transfer agreement with an independent third party to dispose of all equity interest in the Group’s wholly owned subsidiary, 桂林誠通置業管理有限公司 (unofficial translation as Guilin Chengtong Estates Management Limited) (“Guilin Estate”), for a consideration of RMB55 million. As one of the conditions precedent to the completion of the disposal, the Group shall inject the land located in Guilin of Guangxi Province and the warehouse complexes and plants erected thereon held by Chengtong Industrial into Guilin Estate. This transaction was settled and completed at the end of 2011, generating a gain on sale of approximately RMB15.3 million. The Group reaped satisfactory returns by taking advantage of this proper opportunity to realise the potential value of such parcel of land and the buildings erected thereon.

During the year under review, the land located in Changzhou and the warehouse complexes or plants erected thereon continued to be rented out while the lease for the tenancy agreement for the land located in Shenyang and the warehouse complexes or plants erected thereon expired at the end of August 2011 without being renewed. Together with that from the land in Guilin and the warehouse complexes erected thereon, the rental income from these three parcels of land totaled approximately HK\$3.28 million, representing an approximately 0.5 times increase as compared with the aggregate rental income of HK\$2.13 million from the land resources in 2010.

In December 2011, the Group entered into the sales and purchase agreement to sell 12% interest in Chengtong Enterprises Investment Limited (“CT Enterprises”), a wholly-owned subsidiary of the Group, for a consideration of RMB51.54 million. As one of the conditions precedent to the completion of the disposal, CT Enterprises shall complete a series of internal reorganisation. After completion of the reorganisation, the principal assets held by CT Enterprises through holding all the equity interest in CT Industrial will include (i) the two parcels of land located in Changzhou of Jiangsu Province and Shenyang of Liaoning Province and the warehouse complexes or plants erected thereon; (ii) Zhucheng Phoenix (which holds 100% interest in “CCT-Champs-Elysees”, a residential property development) and (iii) 100% interest in 常州誠通投資有限公司 (unofficial translation as Changzhou Chengtong Investment Limited).

### **III. CAPITAL INJECTION PROJECT**

In 2011, the Company entered into the acquisition agreement and the supplemental agreement with CCHG and China Chengtong Hong Kong Company Limited (“CCHK”) to acquire the interest in several subsidiaries of CCHG (collectively as “Travel Investment Group”) for a consideration of RMB254 million (subject to adjustment). Travel Investment Group mainly engages in hotel operation and provision of marine entertainment services and sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts in Hainan Province, the PRC.

Pursuant to the document “Certain Opinion of the State Council of the PRC on Promoting the Construction and Development of Hainan International Tourism Island” (國務院關於推進海南國際旅遊島建設發展的若干意見) issued in January 2010 by the State Council of the PRC, it has become a national strategy of the PRC government to develop Hainan Province into an international tourist attraction. The Group expects that there will be enormous development opportunities in Hainan tourism. Under the leadership of the management of Travel Investment Group and CCHG, Travel Investment Group have operated marine tourism business in Hainan Province for many years with extensive experience, established brand and network and abundant resources. With the above advantages, the Directors believe that the acquisition would provide a new area for growth in the Group’s business and bring better returns to the Group and the shareholders. In addition, the cashflow of the Group will not be adversely affected by issuing the Consideration Shares to CCHK pursuant to the acquisition. As of the date of this announcement, such acquisition has not been completed.

Upon completion of this transaction, hotel management and marine entertainment services will become one of the Group’s principal activities. To further develop and enlarge hotel operation and marine travel business in Hainan will become one of the focuses of the Group in the future.

### **OUTLOOK**

In 2011, the Group embarked on a gradual transformation of its principal activities. It introduced professional partners for restructuring of the land resources development and property development businesses, commenced international trade in bulk commodity, explored potential acquisition of non-ferrous metal and coal mines and effected the capital injection into Travel Investment Group.

Looking into the future, the Group will redirect its principal business activities toward bulk commodity and energy trade with the aim of becoming an international bulk commodity trade agency having influence in the global arena; expand into the upstream field of mineral resources when the time is ripe; strategically develop its travel business in Hainan.

As China will remain the world's irreplaceable workshop in the short run and urbanisation development proceeds, there will continue to be enormous demand for raw materials and energy. As such, bulk commodity, energy and materials trading not only accommodates the needs of national economic development, but is congruent with the principal activities and industrial advantages of CCHG. All of these favourable factors, coupled with the sufficient capital within the Group, have laid a solid foundation for the Group's business expansion with risks under control.

The Board has much confidence in the future development and prospect of the Group.

## **GEARING RATIO**

As at 31 December 2011, the Group's gearing ratio calculated on the basis of bank borrowings, other loans, loan from a non-controlling shareholder of a subsidiary and corporate bonds of approximately HK\$1,366.93 million and total assets of approximately HK\$3,225.29 million was approximately 42% (31 December 2010: 3%).

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group's financial position remained healthy during the year under review. As at 31 December 2011, the Group had cash and bank balances amounting to approximately HK\$953.03 million (31 December 2010: approximately HK\$720.82 million), and current assets and current liabilities of approximately HK\$2,968.01 million and HK\$813.75 million respectively (31 December 2010: approximately HK\$1,479.66 million and HK\$132.35 million respectively). Out of the cash and bank balances of approximately HK\$953.03 million as at 31 December 2011, a sum of HK\$4.2 million was deposited in a segregated bank deposit account which sum is held on trust for those creditors of the Company who have not given their consents to the capital reduction of the Company as at the effective date of 21 June 2006.

As at 31 December 2011, the Group's corporate bonds which were issued on 19 May 2011 amounted to approximately HK\$721.85 million and will mature on 19 May 2014. The Group's discounted bills with recourse and short-term bank loans of approximately of approximately HK\$595.14 million and HK\$48.80 million respectively were secured and repayable within one year with interest at commercial rate. The other loans from third parties and loan from a non-controlling shareholder of a subsidiary of approximately HK\$600,000 and HK\$549,000 respectively were unsecured, repayable on demand and interest-free.

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

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

## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

## **HUMAN RESOURCES AND EMOLUMENT POLICY**

As at 31 December 2011, the Group employed a total of 87 employees, of which 15 were based in Hong Kong and 72 were based in Mainland China. Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the Directors are decided by the remuneration committee of the Company (the "Remuneration Committee"), having regard to the Company's corporate goals, their individual performance and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to Directors and eligible employees to subscribe the shares of the Company.

## **PLEDGE OF ASSET**

As at 31 December 2011, discounted bills with recourse of approximately HK\$595.14 million were secured by bill receivables of approximately HK\$611.42 million (31 December 2010: nil).

As at 31 December 2011, the short-term bank loans of HK\$48.80 million were secured by the land use rights included in property held for development amounting to HK\$108.58 million (31 December 2010: HK\$105.02 million).

## **COMMITMENT**

The Company entered into an agreement dated 27 July 2011 and a supplemental agreement dated 29 August 2011 with its ultimate holding company, CCHG and its intermediate holding company, CCHK, for the acquisition of interests in several subsidiaries of CCHG at a consideration of RMB254,000,000 (subject to adjustment). These subsidiaries are mainly engaged in hotel operation and provision of marine entertainment services and sales of goods and provision of services in relation to consignment sales of goods in gold and silver, other jewellery, arts and crafts in Hainan Province, the PRC. The proposed acquisition has not yet been completed as certain conditions precedent to the transaction have not been satisfied as of the date of issuance of this announcement. Details of the proposed acquisition are set out in the Company's circular dated 30 September 2011.

## **CONTINGENT LIABILITIES**

In September 2010, Chengtong Industrial, a wholly-owned subsidiary of the Company, has lodged a litigation to the court in the PRC as plaintiff against a tenant, requesting for termination of a tenancy agreement for reason of the breach of such tenancy agreement by, among other matters, the unauthorised sub-lease of the leased property, construction of an unauthorised structure ("the Buildings") and transfer of the Buildings to a third party, by the tenant.

In September 2011, the court in the PRC has released the court order in favour of Chengtong Industrial to terminate such tenancy agreement with the tenant and the tenant has to transfer the ownership of the Buildings to Chengtong Industrial at a consideration of approximately RMB5,028,000 (equivalent to approximately HK\$6,034,000) for acquiring the Buildings. In September 2011, the tenant and third party lodged an appeal to the court in the PRC. No settlement has been reached up to the date of issuance of this announcement.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the year, the Company repurchased 9,982,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$3,220,863. All the repurchased shares were cancelled during the year. Details of the repurchases are as follows:

<b>Month of the repurchases</b>	<b>Number of repurchased shares</b>	<b>Highest price per share <i>HK\$</i></b>	<b>Lowest price per share <i>HK\$</i></b>	<b>Aggregate consideration <i>HK\$</i></b>
Sep 2011	5,500,000	0.340	0.305	1,760,299.40
Oct 2011	4,482,000	0.355	0.280	1,460,563.60
	<u>9,982,000</u>			<u>3,220,863.00</u>

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

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: HK0.7 cents per share).

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry of all the Directors, they confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2011.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

During the year ended 31 December 2011, the Company has complied with provisions of Rules 3.10(1) and 3.10(2) of the Listing Rules that a sufficient number of independent non-executive directors shall be appointed by listed issuers and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. For the detailed profile of the independent non-executive Directors, please refer to the annual report of the Company for the year ended 31 December 2011.

## **CORPORATE GOVERNANCE**

The Board appreciates that good corporate governance is vital to the healthy and sustainable development of the Group. The Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011, save as disclosed below:

### **Code provision E.1.2 of the Code**

Under the code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting of the Company. Due to other business commitment, Mr. Zhang Guotong, the chairman of the Board was unable to attend the annual general meeting of the Company held on 23 May 2011, and Mr. Yuan Shaoli, the vice chairman of the Company, presided as the chairman at the annual general meeting.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, including Mr. Kwong Che Keung, Gordon as chairman, Mr. Tsui Yiu Wa, Alec, and Mr. Ba Shusong. The principal duties of the Audit Committee include the review of the Company’s financial reporting procedures, internal controls and results of the Group. The audited consolidated financial statements of the Company for the year ended 31 December 2011 have been reviewed by the Audit Committee.

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU ON THIS PRELIMINARY 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 2011 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at <http://www.irasia.com/listco/hk/chengtong>. The annual report of the Company for the year ended 31 December 2011 will be available on both websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 12 March 2012

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