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 2014 FINAL RESULTS

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2014 amounted to approximately HK$3,224.10 million, representing a decrease of approximately 79% as compared with the same period last year.
- Loss attributable to the owners of the Company for the year ended 31 December 2014 amounted to approximately HK$51.42 million while the Company recorded profit of approximately HK$50.73 million last year.
- As at 31 December 2014, the cash (comprising structured bank deposits, pledged bank deposits and bank balances and cash) held by the Group amounted to approximately HK$3,165.70 million.
- As at 31 December 2014, debt to assets ratio was approximately 14%, representing a decrease of approximately 37% as compared with 31 December 2013.
- As at 9 May 2014, the Group issued bonds with an aggregate principal amount of RMB600 million with a coupon rate of 4% per annum for a term of three years in order to strengthen its working capital.
- Loss per share was HK1.06 cents for the year ended 31 December 2014, while the earnings per share was HK1.05 cents for the same period last year.
- The Board has resolved not to declare any final dividends.

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 2014 together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	3	**3,224,100**	15,500,313
Cost of sales		**(3,238,720)**	(15,410,873)
Gross (loss)/profit		**(14,620)**	89,440
Other income	4	**232,573**	433,316
Selling expenses		**(17,766)**	(19,031)
Administrative expenses		**(127,547)**	(147,797)
Fair value gain on investment properties		**3,465**	4,999
Fair value gain upon properties held for sale transferred to investment properties		**—**	665
Fair value (loss)/gain on held-for-trading securities		**(405)**	1,009
Gain on disposal of non-current assets classified as held for sale		**—**	101,244
Gain on disposal of subsidiaries	20	**63,901**	—
Finance costs	5	**(155,329)**	(317,372)
(Loss)/profit before income tax		**(15,728)**	146,473
Income tax expense	6	**(80,527)**	(82,155)
(Loss)/profit for the year	7	**(96,255)**	64,318
(Loss)/profit for the year attributable to:			
Owners of the Company		**(51,417)**	50,727
Non-controlling interests		**(44,838)**	13,591
		(96,255)	64,318
(Loss)/earnings per share	9		
Basic		**HK(1.06) cents**	HK1.05 cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(96,255)**	64,318
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of financial statements of foreign operations	**(22,941)**	81,996
Reclassification adjustment — Disposal of subsidiaries	**(37,194)**	—
Total comprehensive income for the year	**(156,390)**	146,314
Total comprehensive income attributable to		
Owners of the Company	**(110,578)**	125,061
Non-controlling interests	**(45,812)**	21,253
	(156,390)	146,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**187,722**	209,097
Prepaid land lease payments		**51,760**	54,496
Investment properties		**58,086**	187,760
Deposits paid	10	**29,181**	358,144
Loans receivable	13	**194,173**	—
		520,922	809,497
Current assets			
Properties held for sale		**287,498**	111,641
Properties under development		**160,469**	283,996
Properties held for development		**311,006**	313,968
Inventories	11	**23,191**	5,583
Trade and other receivables	12	**403,444**	11,709,593
Loans receivable	13	**85,538**	—
Amount due from a non-controlling shareholder of a subsidiary		**21,686**	20,488
Loan to a related party		**54,454**	50,880
Prepaid land lease payments		**2,007**	2,026
Entrusted loan receivables	14	**107,525**	363,744
Held-for-trading securities		**1,703**	2,108
Short-term investments	15	**594,720**	2,814,314
Structured bank deposits		**662,760**	—
Pledged bank deposits		**1,774,816**	676,073
Bank balances and cash		**728,127**	2,557,297
Total current assets		**5,218,944**	18,911,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

AS AT 31 DECEMBER 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Current liabilities			
Trade and other payables	16	**2,798,209**	7,287,370
Deposits received from sale of properties		**58,728**	59,306
Taxation payable		**26,029**	62,515
Bank borrowings	17	**68,157**	9,273,700
Unsecured other loan		**600**	600
Corporate bonds	18	**—**	761,528
Total current liabilities		**2,951,723**	17,445,019
Net current assets		**2,267,221**	1,466,692
Total assets less current liabilities		**2,788,143**	2,276,189
Non-current liabilities			
Deferred tax liabilities		**52,584**	58,569
Corporate bonds	18	**721,610**	—
		774,194	58,569
Net assets		**2,013,949**	2,217,620
EQUITY			
Equity attributable to the owners of the Company			
Share capital	19	**1,224,214**	484,074
Share premium and reserves		**632,887**	1,483,309
		1,857,101	1,967,383
Non-controlling interests		**156,848**	250,237
Total equity		**2,013,949**	2,217,620

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for the financial year and the comparative period continue to be those of the Hong Kong Companies Ordinance, Cap. 32, in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance, Cap. 622 "Accounts and Audit" which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

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

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 HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
HK (IFRIC)–Int 21	Levies

2. ADOPTION OF HKFRSs *(continued)*

2.1 Adoption of new and revised HKFRSs *(continued)*

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

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on the accounting for the Group's offsetting arrangements.

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.

HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) — Financial Instruments

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

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

2. ADOPTION OF HKFRSs *(continued)*

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

HKFRS 9 (2014) — Financial Instruments *(continued)*

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

HKFRS 15 — Revenue from Contracts with Customers

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

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

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

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

2.3 New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than in a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

3. SEGMENT INFORMATION

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

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

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

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

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

(4) Trading of coal — trading of coal

(5) Bulk commodity trade — trading of bulk commodity

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

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 2014

	Property investment *HK$'000*	Property development *HK$'000*	Financial leasing *HK$'000*	Trading of coal *HK$'000*	Bulk commodity trade *HK$'000*	Hotel and marine travelling *HK$'000*	Total *HK$'000*
Turnover as presented in consolidated income statement	1,629	103,186	1,987	29,324	3,028,869	59,105	3,224,100
Results							
Segment results *(Note (a))*	1,443	19,279	2,107	(1,521)	(121,981)	13,570	(87,103)
Fair value gain on investment properties *(Note (b))*							3,465
Fair value loss on held-for-trading securities							(405)
Gain on disposal of subsidiaries *(Note (b))*							63,901
Interest income from entrusted loan receivables							24,959
Unallocated finance costs							(40,136)
Unallocated corporate expenses							(20,013)
Unallocated other income							39,604
Loss before income tax							(15,728)

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2014 (continued)

	Property investment HK$'000	Property development HK$'000	Financial leasing HK$'000	Trading of coal HK$'000	Bulk commodity trade HK$'000	Hotel and marine travelling HK$'000	Unallocated HK$'000	Total HK$'000
Notes:								
(a) Amounts included in the measure of segment results								
Interest income from bank deposits and short-term investments	—	514	5,345	325	151,155	1,146	5,000	163,485
Depreciation	—	(209)	(175)	(4)	(3,983)	(12,830)	(229)	(17,430)
Finance costs	—	—	—	—	(115,193)	—	(40,136)	(155,329)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance								
Fair value gain on investment properties	3,465	—	—	—	—	—	—	3,465
Gain on disposal of subsidiaries	52,636	—	—	—	10,522	—	743	63,901

For the year ended 31 December 2013

	Property investment HK$'000	Property development HK$'000	Financial leasing HK$'000	Trading of coal HK$'000	Bulk commodity trade HK$'000	Hotel and marine travelling HK$'000	Total HK$'000
Turnover as presented in consolidated income statement	2,009	71,168	962	81,116	15,283,607	61,451	15,500,313
Results							
Segment results *(Note (a))*	(10,695)	3,810	(3,364)	73	34,906	7,335	32,065
Fair value gain on investment properties *(Note (b))*							4,999
Fair value gain upon properties held for sale transferred to investment properties *(Note (b))*							665
Fair value gain on held-for-trading securities							1,009
Gain on disposal of non-current assets classified as held for sale							101,244
Interest income from entrusted loan receivables							84,757
Unallocated finance costs							(42,032)
Unallocated corporate expenses							(48,694)
Unallocated other income							12,460
Profit before income tax							146,473

3. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2013 (continued)

	Property investment	Property development	Financial leasing	Trading of coal	Bulk commodity trade	Hotel and marine travelling	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Notes:								
(a) Amounts included in the measure of segment results								
Interest income from bank deposits and short-term investments	81	402	506	246	270,754	258	1,313	273,560
Depreciation	—	(322)	(185)	(7)	(789)	(12,783)	(258)	(14,344)
Allowance for impairment of inventories	—	—	—	—	—	(1,462)	—	(1,462)
Finance costs	—	—	—	—	(275,340)	—	(42,032)	(317,372)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance								
Fair value gain on investment properties	4,999	—	—	—	—	—	—	4,999
Fair value gain upon properties held for sale transferred to investment properties	665	—	—	—	—	—	—	665

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

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

3. SEGMENT INFORMATION *(continued)*

Other segment information

The Group's significant operations, external customers and non-current assets (other than financial assets) during the years ended 31 December 2014 and 2013 were located in Hong Kong (place of domicile) and the People's Republic of China (the "**PRC**"). Geographical information of revenue from external customers is based on the location of the customers and the geographical location of the non-current assets (other than financial assets) is based on the physical location of the assets.

	Revenue from external customers		Non-current assets (other than financial assets)	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,045,401**	10,559,017	**276**	816
The PRC	**734,903**	4,941,296	**297,292**	450,537
Singapore	**443,796**	—	**—**	—
	3,224,100	15,500,313	**297,568**	451,353

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

	2014	2013
	HK$'000	*HK$'000*
Customer A *(note 1)*	**476,858**	—
Customer B *(note 1)*	**473,901**	—
Customer C *(note 2)*	**—**	9,691,889
	950,759	9,691,889

Notes:

1. These are customers for bulk commodity trade business.

2. This is a customer for bulk commodity trade business for the year ended 31 December 2013 and no revenue from this customer contributed to the total turnover of the Group for the year ended 31 December 2014.

Turnover from major products and services

	2014	2013
	HK$'000	*HK$'000*
Rental income	**1,629**	2,009
Sales of properties	**103,186**	71,168
Interest income	**1,987**	962
Sales of coal	**29,324**	81,116
Bulk commodity trade	**3,028,869**	15,283,607
Hotel and marine travelling services	**59,105**	61,451
	3,224,100	15,500,313

4. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income from bank deposits and short-term investments	**163,485**	273,560
Interest income from entrusted loan receivables	**24,959**	84,757
Interest income from deposits and other receivables *(note 10)*	**25,505**	—
Interest income from consideration receivable from disposal of a subsidiary	**1,452**	—
Interest income from a related party	**4,865**	3,335
Interest income from a non-controlling shareholder of a subsidiary	**1,391**	1,408
Commission income from procurement services related to arranging bulk commodity trade	**—**	70
Investment income on derivative financial instruments	**—**	24,860
Compensation from overdue deposit *(note 10)*	**5,899**	—
Overdue charges under the entrusted loan arrangements	**1,431**	—
Exchange gain	**—**	45,197
Others	**3,586**	129
	232,573	433,316

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on corporate bonds	**42,985**	38,076
Interest on notes payable	**—**	5,911
Interest on bank and other borrowings wholly repayable within five years	**8,402**	33,641
Interest on discounted bills with recourse	**106,791**	235,837
Interest on deposit received from a buyer in a partial disposal of a subsidiary	**—**	3,956
	158,178	317,421
Less : Amounts capitalised on properties under development	**(2,849)**	(49)
	155,329	317,372

6. INCOME TAX EXPENSE

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

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

	2014	2013
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong Profits Tax	**—**	7,064
PRC EIT	**71,377**	64,928
PRC LAT	**3,215**	467
	74,592	72,459
Under-provision in prior years:		
PRC EIT	**558**	70
Deferred taxation	**5,377**	9,626
Taxation charge for the year	**80,527**	82,155

7. (LOSS)/PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
(Loss)/profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration	**1,300**	1,300
Amortisation of prepaid land lease payments	**2,222**	2,244
Depreciation of property, plant and equipment	**17,552**	14,468
Less : Amounts capitalised on properties under development	**(122)**	(124)
	17,430	14,344
Minimum lease payments in respect of rented premises	**4,363**	4,771
Contributions to retirement benefits schemes (including directors' emoluments)	**6,946**	2,901
Staff costs (including directors' emoluments)	**48,418**	39,308
Total staff costs	**55,364**	42,209
Less : Amounts capitalised on properties under development	**(2,039)**	(1,616)
	53,325	40,593
Cost of inventories recognised as expenses	**3,227,729**	15,398,956
Exchange loss/(gain)	**22,317**	(45,197)
Provision for inventories*	**—**	1,462
Loss on disposal of property, plant and equipment	**429**	144
Written off of property, plant and equipment	**—**	273
Impairment of prepayment	**—**	17,954

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

8. DIVIDENDS

No dividend in respect of the years ended 31 December 2014 and 2013 was proposed during the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company of HK51,417,000 (2013: earnings per share is based on the profit for year attributable to owners of the Company of HK$50,727,000) and on the weighted average number of 4,840,735,000 (2013: 4,840,735,000) ordinary shares in issue during the year.

Diluted (loss)/earnings per share were not presented as there were no potential dilutive ordinary shares outstanding during both years.

10. DEPOSITS PAID

	2014	2013
	HK$'000	*HK$'000*
Deposits paid for acquisition of 85% of the equity interests in Alpha Fortune Industrial Limited *(note)*	**—**	337,080
Deposits paid for acquisition of property, plant and equipment	**29,181**	21,064
	29,181	358,144

Note:

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

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

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

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

The Group has subsequently negotiated with the Vendors regarding (i) the refund of the earnest money and advance payment (the "**Deposits**"); and (ii) a new proposal for the Acquisition.

On 18 June 2013, the Group has finalised a new proposal for the Acquisition and entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with the Vendors regarding the Acquisition. Pursuant to the Sale and Purchase Agreement, the Group has conditionally agreed to acquire for, and the Vendors have conditionally agreed to dispose of 85% interests in the issued share capital of Alpha Fortune, at an aggregate consideration of approximately RMB448,600,000 (equivalent to approximately HK$570,619,000).

10. DEPOSITS PAID *(continued)*

Note: (continued)

On 31 October 2013, the Group entered into a supplemental agreement with the Vendors to allow the Group to waive certain undertakings given by the Vendors in relation to (i) the collection of debt (and interests accrued thereon) due from 北京新領域投資有限公司 to the Target Group; and (ii) the repayment of relevant debt (and interests accrued thereon) due from the Target Group to 重慶國際信託投資有限公司 (or its assignee(s)) and the release of the related pledge in respect of 49% equity interest in the Coal Mine Company before the general meeting of the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder or the obtaining of the written approval from the relevant shareholder in lieu of the aforementioned shareholders' approval at the general meeting of the Company (where permitted under the Listing Rules).

As of 31 March 2014, some of the conditions precedent to the Acquisition under the Sale and Purchase Agreement had not been satisfied, or, where applicable, waived by the Group. Accordingly, the Sale and Purchase Agreement lapsed on 31 March 2014. Under the Sale and Purchase Agreement, the Vendors shall repay to the Group the Deposits and the interest accrued under the Framework Agreement within 10 business days after the termination of the Sale and Purchase Agreement. If the Vendors fail to repay the outstanding amount to the Group within 10 business days after the termination of the Sale and Purchase Agreement, such outstanding amount shall be subject to a compensation for breach of contracts (the "**Compensation**") which is calculated at a daily rate of 0.02% starting from the date of the Sale and Purchase Agreement and until the date the outstanding amounts have all been settled by the Vendors.

On 8 July 2014, the Group obtained additional corporate guarantee from Coal Mine Company and two of its subsidiaries to secure the repayment obligations of the Vendors to the extent of RMB45,000,000 (equivalent to approximately HK$56,700,000) and the interest accrued thereon.

The directors of the Company considered that the global coal market would remain unstable in the near future. Therefore, the Group intended to observe the development of the coal market and not to further invest in the upstream coal resources. As such, following the lapse of the Framework Agreement and the Sale and Purchase Agreement in relation to the Acquisition in March 2014, the Group decided not to proceed with the Acquisition.

On 20 August 2014, the Group entered into a sale and purchase agreement (the "**Mosway SP Agreement**") with Mosway Group Limited ("**Mosway**"), a wholly owned subsidiary of China Chengtong Holdings Group Limited ("**CCHG**"), to dispose of the entire issued share capital and total indebtedness owing or incurred by China Chengtong Coal Investment Limited ("**Chengtong Coal**") to the rest of the Group on or at any time prior to completion of Mosway SP Agreement for a consideration of approximately RMB339,933,000 (equivalent to approximately HK$428,315,000). The proposed disposal constituted a connected transaction under the Listing Rules and is subject to the approval by the independent shareholders of the Company at the extraordinary general meeting ("**EGM**"). The resolution of the proposed disposal of Chengtong Coal was passed at the EGM held on 17 October 2014.

CCHG intended to develop its coal exploration and mining business as well as its interest in further negotiation with the Vendors of the Acquisition. Upon completion of Mosway SP Agreement, CCHG will explore the opportunities with the Vendors of the Acquisition to continue to acquire the Target Group or to cooperate in coal mining and exploration with the Vendors in other manner as they think fit.

Chengtong Coal was a wholly owned subsidiary of the Group that entered into the Acquisition under the Framework Agreement and the Sale and Purchase Agreement. The disposal of entire issued share capital and total indebtedness owing or incurred by Chengtong Coal was completed on 19 December 2014. Details of disposal are set out in note 20.

For the year ended 31 December 2014, the Compensation of RMB4,682,000 (equivalent to approximately HK$5,899,000), interest accrued from the Deposits of RMB18,716,000 (equivalent to approximately HK$23,582,000) and interest accrued from loan receivables from Coal Mine Company of RMB1,526,000 (equivalent to approximately HK$1,923,000) were charged to the profit or loss as other income (note 4).

Details in relation to the Framework Agreement, the termination of the Framework Agreement and the Sale and Purchase Agreement, the entering into the Mosway SP Agreement regarding the disposal are set out in the Company's announcements and circular dated 21 August 2012, 6 February 2013, 24 June 2013, 31 October 2013, 1 April 2014, 8 July 2014, 20 August 2014 and 23 September 2014 respectively.

11. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Coal	**18,329**	—
Merchandises and consumables	**4,862**	5,583
	23,191	5,583

12. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**26,841**	38,043
Bills receivable from bulk commodity trade *(note (b))*	**53,037**	11,498,904
Trade and bills receivable	**79,878**	11,536,947
Prepayments and deposits *(note (c))*	**43,394**	19,291
Other receivables	**66,015**	153,355
Consideration receivable for disposal of a subsidiary	**214,157**	—
Total trade and other receivables	**403,444**	11,709,593

Notes:

(a) As at 31 December 2014 and 2013, trade receivables mainly arose from sales of coal. There is a 10 days to 1 month credit period granted to certain customers (2013: no credit period granted to customers) of coal trading business.

As at 31 December 2014 and 2013, bulk commodity trading was mainly settled by cash or bills issued by PRC banks which are receivable in 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 aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2014	2013
	HK$'000	*HK$'000*
Within three months	**26,841**	38,043

12. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(a) *(continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**16,235**	—
Less than one month past due	**10,565**	37,991
One to three months past due	**41**	52
	26,841	38,043

As at 31 December 2014, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$10,606,000 (2013: HK$38,043,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the directors are of the view that such receivables can be fully recovered. The Group does not hold any collateral over these balances.

(b) Bills receivable represent banker's acceptances, i.e. time drafts accepted and guaranteed for payment by PRC banks.

These banker's acceptances are issued to the Group and are due within 1 year (2013: 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 2014, HK$53,037,000 (2013: HK$9,481,204,000) of the bills receivable have been discounted to the banks with recourse. The Group is committed to underwrite any of the bills receivable that have been discounted and therefore continues to recognise these as bills receivable until the banks collect the debts. The proceeds from bills receivable that have been discounted to banks of HK$53,037,000 (2013: HK$9,264,430,000) are included in bank borrowings (note 17) until the debts are collected or the Group makes good any losses suffered by the banks.

(c) As at 31 December 2014, the balances mainly included prepayments for purchases of coal and bulk commodity trade amounted to HK$33,464,000 and HK$4,831,000 respectively (2013: prepayment for purchases of coal amounted to HK$10,176,000).

13. LOANS RECEIVABLE

During the year ended 31 December 2014, the Group entered into 3 sale and leaseback agreements pursuant to which the customers (the "**lessees**") sold their equipment and facilities to the Group and leased back the equipment and facilities with the lease period ranged from 2.5 years to 3 years from the date of inception. In addition, the ownership of leased assets will be transferred to the lessees at a purchase option of RMB1 upon the settlement of the receivable and the interest accrued under the sale and leaseback arrangements. The lessees retain control of the equipment and facilities before and after entering into the sale and leaseback arrangements which do not therefore constitute a lease for accounting purposes. Rather, the arrangements have been accounted for as a secured loan in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

	2014	2013
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current assets	**85,538**	—
Non-current assets	**194,173**	—
	279,711	—

As at 31 December 2014, effective interest rates ranged from approximately 11.53% to 12.33% per annum.

As at 31 December 2014, no loans receivable have been past due or impaired. The loans receivable under the sale and leaseback arrangements are secured by the leased equipment and facilities and the Group has guarantees provided by the controlling shareholders of the lessees. The Group is not permitted to sell or re-pledge the collateral in absence of default by the lessees. The lessees are obliged to settle the amounts according to the terms set out in the relevant contracts.

As at 31 December 2014, the fair value of loans receivable approximates to its carrying amount.

14. ENTRUSTED LOAN RECEIVABLES

As at 31 December 2014, the Group had entered into two (2013: five) 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:

	2014	2013
	HK$'000	*HK$'000*
Entrusted loan receivables:		
Principal	**107,100**	362,520
Interest receivables	**425**	1,224
	107,525	363,744
Receivables within one year	**107,525**	363,744

14. ENTRUSTED LOAN RECEIVABLES *(continued)*

As at 31 December 2014 and 2013, all entrusted loan receivables carry fixed-rate interest and the contractual maturity dates are within one year from the respective date of borrowing.

Effective interest rates (which are equal to contractual interest rates) of the Group's entrusted loan receivables is 13% (2013: ranged from 12% to 14%).

As at 31 December 2014 and 2013, no entrusted loan receivables have been past due or impaired. The entrusted loan receivables are mainly secured by land and buildings and personal guarantees provided by the specified borrowers or their related parties. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the entrusted loan borrowers.

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

15. SHORT-TERM INVESTMENTS

During the years ended 31 December 2014 and 2013, the Group purchased short-term investments from major banks in the PRC.

Within the short-term investments as at 31 December 2014, balance of HK$594,720,000 was subject to maturity ranged from 60 days to 1 year (2013: balance of HK$6,360,000 was not subject to maturity and balance of HK$2,807,954,000 was subject to maturity of 1 year). For those short-term investments not subject to maturity, the Group is entitled to redeem the investments with the banks at anytime with immediate effect. The estimated return from these short-term investments ranged from 4.5% to 5.5% per annum (2013: 3.0% to 5.0% per annum). The accrued and unpaid interest will be received upon redemption of the investment from the bank. The directors of the Company consider that the carrying value of short-term investments approximates their fair value at end of the reporting period.

As at 31 December 2014, short-term investments of HK$428,400,000 and HK$15,120,000 were pledged to secure the bills payable (note 16(c)) and short-term bank loans (note 17 (b)) respectively (2013: HK$2,807,954,000 were pledged to secure bills payable of the Group).

16. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**17,398**	6,387
Other payables and accruals	**99,704**	157,842
Deposits received from buyers on disposal of subsidiaries *(note (b))*	**—**	16,536
Bills payable for purchase of bulk commodity *(note (c))*	**2,603,097**	7,078,160
Accrual of construction costs	**78,010**	28,445
	2,798,209	7,287,370

16. TRADE AND OTHER PAYABLES *(continued)*

Notes:

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**14,337**	4,676
Over one year but less than two years	**3,061**	1,711
	17,398	6,387

(b) On 25 July 2013, the Group entered into a memorandum with an independent third party and intended to dispose of the entire issued capital of a subsidiary, Chengtong Enterprises Investment Limited (誠通企業投資有限公司) ("**Chengtong Enterprises**") and its subsidiaries (collectively referred to as the "**Chengtong Enterprises Group**"), at a preliminary purchase price amounted to RMB150,000,000 (equivalent to approximately HK$190,800,000). As at 31 December 2013, the Group has received RMB3,000,000 (equivalent to approximately HK$3,816,000) as earnest money from the purchaser and the purchaser has the exclusive right to purchase Chengtong Enterprises Group. The formal agreement was not yet signed as at 31 December 2013. During the year ended 31 December 2014, the Group re-arranged the proposed disposal and entered into an asset transaction agreement with another independent third party to dispose the entire issued capital of Chengtong Enterprises Group (note 20 (ii)). The deposit received will be refunded to the initial purchaser. As at 31 December 2014, the deposit was reclassified as other payables.

On 19 November 2013, the Group entered into a memorandum with an independent third party and intended to dispose of the entire issued capital of a subsidiary, Chengtong Dafeng Harbour Development Limited (誠通大豐海港開發有限公司) ("**Dafeng Harbour Development**"), at a preliminary purchase price amounted to RMB320,000,000 (equivalent to approximately HK$407,040,000). As at 31 December 2013, the Group received RMB10,000,000 (equivalent to approximately HK$12,720,000) as earnest money from the purchaser. As at 31 December 2014, the deposit paid was refunded in cash to the purchaser.

(c) As at 31 December 2014, gross amount of bills payable of approximately HK$2,603,097,000 were secured by gross bank deposits, structured bank deposits and short-term investments of approximately HK$1,772,982,000, HK$183,960,000 and HK$428,400,000 respectively (2013: gross amount of bills payable of approximately HK$6,512,870,000 were secured by gross bank deposits and short-term investments of approximately HK$2,765,927,000 and HK$2,807,954,000 respectively).

As at 31 December 2014, the ultimate holding company, CCHG, has provided corporate guarantees amounted to HK$441,000,000 (2013: HK$1,356,000,000) to the banks in respect of the banking facilities granted to the subsidiaries of the Group in relation to the bills payable. As at 31 December 2014, the amount of these corporate guarantees which has been utilised for bills payable was amounted to HK$156,183,000 (2013: HK$1,353,730,000).

17. BANK BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Secured bank borrowings		
Discounted bills with recourse *(note 12) (note (a))*	**53,037**	9,264,430
Short-term bank loans *(note (b))*	**15,120**	9,270
	68,157	9,273,700

17. BANK BORROWINGS *(continued)*

Notes:

(a) As at 31 December 2014, HK$53,037,000 (2013: HK$9,481,204,000) of the bills receivable have been discounted to banks with recourse to facilitate the operation of the bulk commodity trade. Accordingly, the Group continues to include these discounted bills receivable and has recognised the cash received as bank borrowings. Discounted bills with recourse are interest bearing at fixed rate with 3.90% (2013: ranged from 0.90% to 3.85%) 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$1,000,000 (2013: HK$309,197,000) and unamortised portion of finance cost in relation to these discounted bills as at 31 December 2014 amounting to HK$707,000 (2013: HK$86,894,000) will be charged to profit or loss in 2015. The interest rate is determined at the date of inception. All discounted bills with recourse are secured by bills receivable as at 31 December 2014 and 2013.

(b) As at 31 December 2014, short-term bank loans of approximately HK$15,120,000 were secured by short-term investments with carrying amount of approximately HK$15,120,000.

As at 31 December 2013, gross amount of short-term bank loans of approximately HK$1,712,669,000 were secured by pledged bank deposits with gross amounts of approximately HK$1,705,146,000.

18. CORPORATE BONDS

	2014	2013
	HK$'000	*HK$'000*
Corporate bonds	**721,610**	761,528

As at 31 December 2014

The corporate bonds are fixed rate bonds issued by the Company (the "**2017 Bonds**") on 9 May 2014 with a principal amount of RMB600,000,000 and a fixed interest at 4.0% per annum.

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

Net proceeds from the issue of the 2017 Bonds was reduced by transaction costs amounted to approximately RMB34,248,000. The effective interest rate of the 2017 Bonds is approximately 6.11% per annum.

18. CORPORATE BONDS *(continued)*

As at 31 December 2013

The corporate bonds are fixed rate bonds issued by the Company (the "**2014 Bonds**") on 19 May 2011 with a principal amount of RMB600,000,000 and a fixed interest at 4.5% per annum.

The 2014 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 Group will only be exercisable in the event of changes 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 2014 Bonds was reduced by transaction costs amounted to approximately RMB10,398,000. The effective interest rate of the 2014 Bonds is approximately 5.13% per annum.

The 2014 Bonds were fully repaid during the year ended 31 December 2014.

19. SHARE CAPITAL

	2014		2013	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January and at 31 December	**—**	**—**	6,000,000	600,000
Issued and fully paid:				
At 1 January	**4,840,735**	**484,074**	4,840,735	484,074
Transferred from share premium and capital redemption reserve in accordance with the transition to no-par value regime on 3 March 2014	**—**	**740,140**	—	—
At 31 December	**4,840,735**	**1,224,214**	4,840,735	484,074

Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

19. SHARE CAPITAL *(continued)*

During the year ended 31 December 2014 and 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during both years.

20. DISPOSAL OF SUBSIDIARIES

The Group had no disposal of subsidiaries during the year ended 31 December 2013.

Year ended 31 December 2014

During the year ended 31 December 2014, there were altogether four disposal transactions entered into by the Group which included the disposal of (i) Chengtong Coal; (ii) Chengtong Enterprises Group; (iii) Chengtong Development International Trading Limited ("**Chengtong International Trading**") and (iv) 杭州瑞能金屬材料有限公司 (unofficial English translation being Hangzhou Ruineng Metals Company Limited) ("**Hangzhou Ruineng**"). Details of the four transactions are summarised follows:

(i) Disposal of Chengtong Coal

On 20 August 2014, the Company entered into the Mosway SP Agreement with Mosway, a wholly owned subsidiary of CCHG, to dispose of the entire issued share capital and total indebtedness owing or incurred by Chengtong Coal to the rest of the Group on or at any time prior to completion of Mosway SP Agreement for a consideration of approximately RMB339,933,000 (equivalent to approximately HK$428,315,000). The disposal of Chengtong Coal was completed on 19 December 2014. Details of the disposal are set out in the Company's announcement dated 20 August 2014 and circular dated 23 September 2014.

(ii) Disposal of Chengtong Enterprises Group

On 22 December 2014, the Company entered into an asset transaction agreement with an independent third party, for the disposal of the entire equity interest in Chengtong Enterprises Group, at a consideration of RMB420,000,000 (equivalent to approximately HK$529,200,000). The disposal of Chengtong Enterprises Group was completed on 22 December 2014. The profit or loss of Chengtong Enterprises Group during the period from the valuation date (being 31 May 2014) up to the date of completion (the "**post agreement date**") will be borne by the Company. On 4 February 2015, the Company signed a supplemental agreement with the buyer and amount of approximately HK$362,000 should be payable to the buyer regarding the post agreement date results borne by the Company. Such payable will be considered as an adjustment to the consideration. Details of the disposal are set out in the Company's announcements dated 30 October 2014 and 22 December 2014 and circular dated 8 December 2014.

20. DISPOSAL OF SUBSIDIARIES *(continued)*

Year ended 31 December 2014 *(continued)*

(iii) Disposal of Chengtong International Trading

On 18 December 2014, the Company entered into an asset transaction agreement with an independent third party, for the disposal of the 55% equity interest held by the Company in Chengtong International Trading, at a consideration of RMB7,821,000 (equivalent to approximately HK$9,854,000). The disposal of Chengtong International Trading was completed on 22 December 2014. The profit or loss of Chengtong International Trading during the period from the valuation date (being 31 May 2014) up to the date of completion (the "**post agreement date**") will be borne by the Company. As of 31 December 2014 and up to the date that the board of directors approved these financial statements for issue, the Company had not signed any supplemental agreement in relation to the amount of the post agreement date results with the buyer yet. The Company accrued the amount of approximately HK$26,812,000 for that payable to the buyer regarding the post agreement date results borne by the Company based on the directors' best estimation. In February 2015, amount of approximately HK$17,640,000 was settled by cash by the Group. Such amount payable was considered as an adjustment to the consideration. Details of the disposal are set out in the Company's announcements dated 11 November 2014 and 18 December 2014 and circular dated 23 December 2014.

(iv) Disposal of Hangzhou Ruineng

On 18 December 2014, the Group entered into an asset transaction agreement with an independent third party, for the disposal of the 55% equity interest held by the Company's subsidiary in Hangzhou Ruineng, at a consideration of RMB20,920,000 (equivalent to approximately HK$26,359,000). The disposal of Hangzhou Ruineng was completed on 19 December 2014. The profit or loss of Hangzhou Ruineng during the period from the valuation date (being 31 May 2014) up to the date of completion (the "**post agreement date**") will be borne by the Group. As of 31 December 2014 and up to the date that the board of directors approved these financial statements for issue, the Group had not signed any supplemental agreement in relation to the amount of the post agreement date results with the buyer yet. The Group accrued the amount of approximately HK$4,934,000 for that payable to the buyer regarding the post agreement date results borne by the Group based on the directors' best estimation. Such amount payable was considered as an adjustment to the consideration. Details of the disposal are set out in the Company's announcements dated 11 November 2014 and 18 December 2014 and circular dated 23 December 2014.

20. DISPOSAL OF SUBSIDIARIES *(continued)*

Year ended 31 December 2014 *(continued)*

The net assets/(liabilities) of (i) Chengtong Coal; (ii) Chengtong Enterprises Group; (iii) Chengtong International Trading and (iv) Hangzhou Ruineng at date of disposal were as follows:

	Chengtong Coal *HK$'000*	Chengtong Enterprises Group *HK$'000*	Chengtong International Trading *HK$'000*	Hangzhou Ruineng *HK$'000*	Total *HK$'000*
Net assets/(liabilities) disposed of:					
Trade and other receivables	420,555	6,302	326	40,011	467,194
Bank balances and cash	—	8,707	31,558	19,868	60,133
Investment property	—	131,368	—	—	131,368
Property, plant and equipment	—	2,560	593	336	3,489
Amounts due from remaining group	6,286	385,701	—	—	391,987
Deferred tax liabilities	—	(10,129)	—	(681)	(10,810)
Trade and other payables	—	(14,442)	(37,967)	(643)	(53,052)
Amounts due to remaining group	(10)	—	—	—	(10)
Taxation payable	—	—	(25,333)	(36,399)	(61,732)
	426,831	510,067	(30,823)	22,492	928,567
Non-controlling interests	—	—	13,870	(10,121)	3,749
	426,831	510,067	(16,953)	12,371	932,316
Directly attributable cost	741	1,308	470	78	2,597
Release of exchange fluctuation reserve upon disposal	—	(35,173)	(3,343)	1,322	(37,194)
Offset against the amount owed by the Group to Chengtong Enterprises Group *(note (b))*	—	(370,440)	—	—	(370,440)
Gain on disposal of subsidiaries	743	52,636	2,868	7,654	63,901
Total consideration	428,315	158,398	(16,958)	21,425	591,180

20. DISPOSAL OF SUBSIDIARIES *(continued)*

Year ended 31 December 2014 *(continued)*

	Chengtong Coal	Chengtong Enterprises Group	Chengtong International Trading	Hangzhou Ruineng	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Satisfied by:					
Consideration per agreement	428,315	529,200	9,854	26,359	993,728
Offset against the amount owed by the Group to Chengtong Enterprises Group *(note (b))*	—	(370,440)	—	—	(370,440)
Cash consideration *(note (a))*	428,315	158,760	9,854	26,359	623,288
Amounts payable to the buyers in respect of the post agreement date results borne by the Group	—	(362)	(26,812)	(4,934)	(32,108)
Total consideration	428,315	158,398	(16,958)	21,425	591,180
Cash inflow/(outflow) arising on disposal:					
Cash consideration received during the year	214,158	158,760	9,854	26,359	409,131
Directly attributable cost	(741)	(1,308)	(470)	(78)	(2,597)
Settlement of amount owed by the Group to Chengtong Enterprises Group *(note (b))*	—	(15,261)	—	—	(15,261)
Amounts payable to the buyers in respect of the post agreement date results borne by the Group	—	(362)	(26,812)	(4,934)	(32,108)
Bank balances and cash disposed of	—	(8,707)	(31,558)	(19,868)	(60,133)
Net inflow/(outflow) of cash and cash equivalents in respect of disposal of subsidiaries	213,417	133,122	(48,986)	1,479	299,032

Notes:

(a) Consideration of approximately HK$214,157,000 on disposal of Chengtong Coal will be settled in cash by the purchaser on or before 19 December 2015. Such balance bears interest at 4% per annum. The consideration receivable is presented as consideration receivable for disposal of a subsidiary under trade and other receivables in note 12.

(b) The disposal of the entire equity interest in Chengtong Enterprises Group was at a consideration of RMB420,000,000 (equivalent to approximately HK$529,200,000), in which RMB126,000,000 (equivalent to approximately HK$158,760,000) was settled by cash. On 22 December 2014, the Company entered into a four-party agreement with the buyer of Chengtong Enterprises Group, 誠通發展貿易有限公司 (an indirectly wholly-owned subsidiary of the Company) and 誠通實業投資有限公司 (a wholly-owned subsidiary under Chengtong Enterprises Group) and agreed that an amount of RMB294,000,000 (equivalent to approximately HK$370,440,000) out of a total amount of RMB306,112,000 (equivalent to approximately HK$385,701,000) owed by 誠通發展貿易有限公司 to Chengtong Enterprises Group to be offset against the balance of the disposal consideration. Upon the offsetting, the amount of RMB12,112,000 (equivalent to approximately HK$15,261,000) was owed by 誠通發展貿易有限公司 to Chengtong Enterprises Group and was settled in cash as at 31 December 2014 and constituted a cash outflow in respect of disposal of Chengtong Enterprises Group.

21. COMMITMENTS

(a) Capital commitments

	2014	2013
	HK$'000	*HK$'000*
Contracted but not provided for		
Purchase of property, plant and equipment	**18,446**	27,017

(b) Other commitments

As at 31 December 2014, the Group had no other commitments.

Year ended 31 December 2013

As mentioned in note 10, on 18 June 2013, the Group entered into the Sale and Purchase Agreement in relation to the acquisition of 85% equity interests in Alpha Fortune at the aggregate consideration of approximately RMB448,600,000 (equivalent to approximately HK$570,619,000). As of 31 December 2013, the Group had paid cash of RMB265,000,000 (equivalent to approximately HK$337,080,000) to the Vendors as earnest and advance payment pursuant to the payment schedule as specified in the Framework Agreement. The consideration under the Sale and Purchase Agreement will be settled by (i) cash of approximately RMB155,332,000 (equivalent to approximately HK$197,582,000), (ii) issuance of consideration shares of approximately RMB23,586,000 (equivalent to approximately HK$30,001,000) at the issue price of HK$0.36 per share and (iii) setting off of debt of approximately RMB269,682,000 (equivalent to approximately HK$343,036,000), which includes the earnest and advance payment totalling RMB265,000,000 (equivalent to approximately HK$337,080,000).

22. CONTINGENT LIABILITIES

At 31 December 2014, the Group had contingent liabilities in relation to guarantees of approximately HK$138,365,000 (at 31 December 2013: HK$91,084,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

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

23. POST REPORTING DATE EVENT

On 22 January 2015, 海南寰島酒店旅遊投資有限公司, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an indirect wholly-owned subsidiary of CCHG to acquire 100% equity interest of 海南寰島國際旅行社有限公司 (unofficial English translation being Hainan Huandao International Travel Agency Co., Ltd.) ("**Huandao Travel Agency**") at the consideration of approximately RMB7,425,000. The acquisition of Huandao Travel Agency constituted a connected transaction under the Listing Rules. Details of the acquisition were set out in the Company's announcement dated 22 January 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS AND DIVIDEND

Turnover of the Group for the year 2014 was approximately HK$3,224.10 million (2013: approximately HK$15,500.31 million), representing a dramatic decrease of approximately 79% as compared with that of 2013. The decrease in turnover was mainly attributable to the fact that the Group ceased to carry out bulk commodity trade business through Chengtong International Trading and Hangzhou Ruineng in this year but still continued to carry out bulk commodity trade through other wholly-owned subsidiaries of the Group. In view of the significant loss in respect of the bulk commodity trade business, the Group has started to decrease the transactions of the bulk commodity trade since the fourth quarter of 2014, which led to the significant decrease in turnover.

The Group recorded loss attributable to the owners of the Company of approximately HK$51.42 million for the year 2014 (2013: profit of approximately HK$50.73 million), which was mainly attributable to the following factors:

(1) the bulk commodity trade business recorded a loss of approximately HK$121.98 million for the year (2013: profit of approximately HK$34.91 million), representing a significant increase in loss by approximately HK$156.89 million as compared with that of 2013. The loss was mainly due to the facts that the market prices of bulk commodities fluctuated downwards during the year, and the Group settled procurement payment by long term of letter of credit for which suppliers charged higher price than the commodity prices quoted on commodity exchange, resulting a gross loss margin of approximately 3.3% (2013: gross profit margin of approximately 0.2%) in bulk commodity trade business;

(2) the interest income from bank deposits and short-term investments for the year amounted to approximately HK$163.49 million (2013: approximately HK$273.56 million), representing a decrease of approximately HK$110.08 million as compared to that in 2013;

(3) the interest income from entrusted loan receivables for the year amounted to approximately HK$24.96 million (2013: approximately HK$84.76 million), representing a decrease of approximately HK$59.80 million as compared with that in 2013; and

(4) upon the disposal of equity interests in the subsidiaries of the Group for the year 2014, including 100% interests in Chengtong Coal, 55% interests in Chengtong International Trading, 55% interests in Hangzhou Ruineng and 100% interests in Chengtong Enterprises Group, the total gain before tax amounted to approximately HK$63.90 million, representing a decrease of approximately HK$37.34 million as compared with gain on disposal of non-current assets classified as held for sale of approximately HK$101.24 million for the year 2013.

The Board does not recommend the declaration of a final dividend for the year 2014 (2013: Nil).

II. BUSINESS REVIEW

Segment revenue and results

During the year, the Group is principally engaged in bulk commodity trade, trading and processing of coal, property development, property investment, financial leasing and hotel and marine travelling services.

(1) Bulk Commodity Trade

Chengtong International Trading and Hangzhou Ruineng, being two subsidiaries of the Group established respectively in Hong Kong and the PRC in the fourth quarter of 2011, were engaged in bulk commodity trade business in Hong Kong and the PRC respectively. As the Group ceased to carry out new bulk commodity trade business through Chengtong International Trading and Hangzhou Ruineng, and planned to streamline group structure, the Group disposed of its entire equity interests in Chengtong International Trading and Hangzhou Ruineng by way of the listing-for-sale in the PRC in December 2014, and the total consideration for the disposal of Chengtong International Trading and Hangzhou Ruineng amounted to approximately HK$36.21 million. The total gain before tax from the disposal of Chengtong International Trading and Hangzhou Ruineng amounted to approximately HK$10.52 million. Details of the disposal of the Group's equity interests in Chengtong International Trading and Hangzhou Ruineng are set out in the Company's announcements dated 11 November 2014 and 18 December 2014 and the circular dated 23 December 2014 and note 20 to the consolidated financial statements in this announcement.

In 2014, the Group still continued to carry out bulk commodity trade in respect of nonferrous metal (copper) through its other wholly-owned subsidiaries subject to the market situation. During the year, the international bulk commodity market fluctuated. The prices of bulk commodities rebounded at the beginning of the year and subsequently declined. Nonferrous metal is one of the categories of commodity which suffered a larger decline in price in 2014. In the aspect of demand, the global manufacturing industry was inactive and the construction of infrastructure in emerging markets was slow. The main reason for the falling price was the generally weak demand in the downstream nonferrous metal industry. In the aspect of supply, additional production capacity in the initial stage of mining investment was released, resulting in overall balance between supply and demand or even oversupply from short supply of market in previous years.

As the downward trend in the price of international bulk commodity for the year 2014 continued and the falling trend of prices in the market still prevailed by the end of 2014, which led to loss of the bulk commodity trade business of the Group recorded since the end of third quarter, the Group has started to decrease the transactions in relation to the bulk commodity trade since the fourth quarter of 2014, which led to the significant decrease in turnover. The Group recorded external sales of bulk commodity of approximately HK$3,028.90 million (2013: approximately HK$15,283.61 million) and the loss of approximately HK$121.98 million (2013: profit of approximately HK$34.91 million) in 2014, representing a substantial decrease in external sales of approximately 80% and significant increase in loss of approximately HK$156.89 million as compared with external sales and profit of bulk commodity for the year 2013. The loss was mainly due to the facts that the market prices of bulk commodities fluctuated downwards during the year, and the Group settled procurement payment by long term of letter of credit for which suppliers charged higher price than the commodity prices quoted on commodity exchange, resulting a gross loss margin of approximately 3.3% (2013: gross profit margin of approximately 0.2%) in bulk commodity trade business.

(2) Property Development

Property Sale

In 2014, amid the normalization of austerity measures and intensified competition of market environment, the Group achieved satisfactory growth in its turnover and profits. Turnover and profits from property development amounted to approximately HK$103.18 million (2013: approximately HK$71.17 million) and HK$19.28 million (2013: approximately HK$3.81 million) respectively, representing an increase of approximately 45% and 406% respectively as compared with the turnover and profits in 2013. The revenue from property development of the Group was mainly derived from two projects, i.e. CCT-Champs-Elysees project in Zhucheng of Shandong Province and “Chengtong International City” in Dafeng of Jiangsu Province as follows:

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

During the year, CCT-Champs-Elysees wholly owned by the Group in Zhucheng of Shandong Province was developed in three phases. Residential apartments of approximately 17,414 square metres, commercial space of approximately 326 square metres and underground ancillary apartments of approximately 318 square metres (2013: residential apartments of approximately 13,666 square metres and underground ancillary apartments of approximately 409 square metres respectively), 12 underground parking spaces and 9 ground parking spaces (2013: 9 underground parking spaces and 35 ground parking spaces) of phase I and phase II were sold and delivered. This project recorded total net revenue from the sales of properties in 2014 of approximately HK$101.40 million (2013: approximately HK$71.17 million) and a gross profit of approximately HK$24.76 million (2013: approximately HK$12.14 million), representing an increase of approximately 42% and 104% respectively as compared with the turnover and gross profit in 2013.

As at 31 December 2014, the area of the unsold or sold-but-not-delivered space of phase I and phase II of CCT Champs-Elysees included residential apartments of approximately 45,710 square metres (as at 31 December 2013: approximately 15,598 square metres) and commercial spaces of approximately 2,036 square metres (as at 31 December 2013: approximately 2,361 square metres) (excluding the leased area of approximately 4,193 square metres (as at 31 December 2013: approximately 4,849 square metres)).

Construction works of phase III of CCT-Champs-Elysees have not started yet and are expected to be completed and delivered in 2016 to 2020 respectively.

(ii) Dafeng of Jiangsu Province — Chengtong International City

The initial development area of "Chengtong International City" located in Dafeng City of Jiangsu Province of the PRC, 66.67% interests of which were held by the Group, was developed in two sections. During the year, residential space of approximately 407 square metres in section II was sold and delivered and no sales area was recorded in 2013. In 2014, this project recorded total net revenue from the sales of properties of approximately HK$1.79 million (2013: Nil) and gross profit of approximately HK$0.53 million (2013: Nil). No sales revenue or gross profits were recorded in 2013.

As at 31 December 2014, the unsold or sold-but-not-delivered saleable area of serviced apartments, commercial units (along with ancillary facilities) and office buildings of section I of the initial development area of "Chengtong International City" were approximately 344 square metres, 6,364 square metres and 3,176 square metres respectively. The unsold or sold-but-not-delivered saleable area of residential apartments of section II was approximately 12,648 square metres.

The Group targeted to develop section II of the initial development area of "Chengtong International City" in 2014 and the residential apartments of section II have started to be sold.

(3) Property Investment

Property lease

The rental income from property lease of the Group mainly came from CCT-Champs-Elysees project in Zhucheng of Shandong Province as follows:

Zhucheng of Shandong Province — CCT-Champs-Elysees

As at 31 December 2014, the leased area of phase I of CCT-Champs-Elysees located in Zhucheng of Shandong Province, the entire interests of which were held by the Group, was approximately 4,849 square metres (as at 31 December 2013: approximately 4,849 square metres), remaining the same as that of 2013. During the year, the rental income from the lease of CCT-Champs-Elysees amounted to approximately HK$1.63 million (2013: approximately HK$1.48 million), representing an increase of approximately 10% as compared with that of 2013. The increase in rental income was mainly due to the increase in rental per square metre as compared with that of the previous year.

Land Resources Development

Due to the impact of the slowdown in the Chinese economy growth and the national policy regulations, real estate industry in Mainland China still faces downside risk. The Group ensures its land resources and buildings to create more value by adopting strategic and proactive measures and considering several methods including self-development, lease and disposal. The Group is of the view that the disposal of land resources and buildings may bring in funds to the Group in a relatively short period of time, while other options such as self-development will entail long and complicated land development procedures and hence stretch investment return cycle, where the Group will face a higher risk. Therefore, the Group proactively sold land resources during the year as follows:

(i) Land and industrial buildings in Shenyang of Liaoning Province

Chengtong Enterprises, a wholly-owned subsidiary of the Group, indirectly held the land for industrial, warehouse and transportation purposes with an area of approximately 247,759 square metres and buildings with an area of approximately 28,866 square metres ("**Shenyang Land**") situated in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC.

On 22 December 2014, the Group and an independent third party entered into an asset transaction agreement for the disposal of the entire interest in Chengtong Enterprises at a consideration of RMB420 million, equivalent to approximately HK$529.2 million. The gain before tax of the disposal of Chengtong Enterprises amounted to approximately HK$52.64 million. Details of the disposal of the entire interests of Chengtong Enterprises are set out in the Company's announcements dated 30 October 2014 and 22 December 2014, and the circular dated 8 December 2014 and note 20 to the consolidated financial statements in this announcement. For the years 2013 and 2014, no tenancy agreement was concluded for and no rental income was generated from the Shenyang Land and buildings erected thereon.

(ii) Lands in Dafeng of Jiangsu Province

Dafeng Harbour Development, a non-wholly owned subsidiary of the Company, holds a parcel of industrial land situated at 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, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province. On 3 July 2014, the Group entered into two resumption agreements with Dafeng Land Reserve Center and Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone ("**Dafeng Harbour Committee**") and two compensation agreements with Dafeng Harbour Committee and 江蘇大豐海港控股集團有限公司(unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited) in relation to the resumption of two lands in Dafeng of Jiangsu Province at the total compensation amount of RMB219.92 million (equivalent to approximately HK$277.10 million). Details of the resumption of lands are set out in the Company's announcement dated 3 July 2014. However, the compensation amount has not been settled yet and the resumption of lands has not been completed as at 31 December 2014 and the date of this announcement.

(4) Hospitality and Marine Travelling Services

In 2014, the Group was engaged in hotel operation and provision of marine travelling services in Hainan Province, the PRC. The turnover from the provision of marine travelling services was approximately HK$46.71 million (2013: approximately HK$44.80 million), with a gross profit margin of approximately 67% (2013: approximately 62%), representing an increase of approximately 4% and 5% in turnover and gross profit margin as compared to that in 2013, respectively. Average hotel occupancy rate during the year was approximately 42% (2013: approximately 46%), representing a decrease of approximately 4% as compared to that in 2013. Therefore, the turnover from the operation of hotel was approximately HK$12.40 million (2013: approximately HK$16.58 million), with a gross profit margin of approximately 79% (2013: approximately 65%), representing a decrease of approximately 25% in turnover as compared to that in 2013. Despite the drop in hotel occupancy rate during the year, the Group proactively controlled the cost, leading to an increase of approximately 14% in the gross profit margin of hotel business to approximately 79% in 2014 as compared with that of approximately 65% in 2013. The above, together with revenue from other businesses, generated a consolidated turnover of approximately HK$59.11 million (2013: approximately HK$61.45 million) and consolidated pre-tax profit of approximately HK$13.57 million (2013: approximately HK$7.34 million) for the Group, representing a decrease of approximately 4% and an increase of approximately 85% as compared with the consolidated turnover and consolidated pre-tax profit of 2013, respectively.

With a view to facilitate the Group's business development of the tourism services in Hainan and to integrate the resources of marine travelling, the Group is of the opinion that it is necessary to obtain tourism service license. On 22 January 2015, the Group entered into an agreement with a connected party for the acquisition of 100% equity interest in Huandao Travel Agency. The consideration of the acquisition was approximately RMB7.43 million. The main business scope of Huandao Travel Agency includes international inbound tourism and domestic travel business, agent services in relation to transportation, sightseeing, lodging, catering, shopping and entertaining affairs, provision of tour guide, luggage and relevant services, handling of immigration procedures for foreign travellers as well as provision of intermediaries services with tourist commodities. Huandao Travel Agency is licensed to carry out inbound tourism and domestic travel business in the PRC. The Group aimed to obtain the relevant license as early as possible through acquisition of Huandao Travel Agency, which will help to enhance the business performance of the Group's tourism services. Details of the acquisition of Huandao Travel Agency are set out in the Company's announcement dated 22 January 2015.

(5) Financial Leasing

In 2014, the Group entered into three new sale and leaseback agreements with independent third parties. The total amount of the financing was RMB240 million (equivalent to approximately HK$302.4 million), where turnover and gross profit were both recorded as approximately HK$1.99 million (2013: approximately HK$0.96 million), representing an increase of approximately 107% as compared with the turnover and gross profit in 2013.

(6) Coal Business

(i) Trading of Coal

Due to the oversupply in the coal market as a whole in 2014, coal prices continued to fall. Therefore, the Group did not conduct any trading of coal or provide relevant agency services during the year. Sales revenue from trading of coal amounted to approximately HK$81.12 million and the segment profit amounted to approximately HK$0.07 million in 2013.

(ii) Processing and sales of coal

Since the profit generated from coal trading was insignificant, the Group operated coal processing and sales in Guangdong Province at the end of 2014 in order to increase the profit from coal business. During the year, processing and sales of coal business recorded a turnover and gross profit margin of approximately HK$29.32 million and 1%, respectively. There was no processing and sales of coal business in 2013.

(iii) Disposal of entire interest in Chengtong Coal

On 20 August 2014, the Group entered into Mosway SP Agreement with Mosway, a wholly-owned subsidiary of CCHG for the disposal of the entire interest in Chengtong Coal and the total indebtedness owing or incurred by Chengtong Coal to the rest of the Group on or at any time prior to completion of Mosway SP Agreement. The consideration of the disposal was approximately RMB339,933,000. The gain from the disposal of Chengtong Coal (before tax) was approximately HK$0.74 million. Details of the disposal of the entire interest in Chengtong Coal are set out in the Company's announcement dated 20 August 2014 and circular dated 23 September 2014 and note 20 to the consolidated financial statements in this announcement.

Other income and gains

In 2014, other income and gains amounted to approximately HK$232.57 million (2013: approximately HK$433.32 million), representing a decrease of approximately HK$200.75 million or approximately 46% as compared to that in 2013. Other income during the year mainly included the interest income from bank deposits and short-term investments amounted to approximately HK$163.49 million (2013: approximately HK$273.56 million), provisions for penalty and interest income amounted to approximately HK$31.40 million (2013: Nil) in respect of the termination of the acquisition of coal mine, and interest income from entrusted loans amounted to approximately HK$24.96 million (2013: approximately HK$84.76 million).

Selling and administrative expenses

Due to the Group's slowdown in sales activities, selling expenses in 2014 amounted to approximately HK$17.77 million (2013: approximately HK$19.03 million), representing a decrease of approximately 7% as compared to that in 2013.

During the year, administrative expenses amounted to approximately HK$127.55 million (2013: approximately HK$147.80 million), representing a decrease of approximately HK$20.25 million or approximately 14% as compared to that in 2013. The decrease was mainly due to the significant decrease of bulk commodity trade business during the year, resulting in a decrease in relevant bank handling fees and stamp duties of approximately HK$14.53 million from approximately HK$19.83 million in 2013 to approximately HK$5.30 million during the year. Impairment of prepayment in 2013 was approximately HK$17.95 million, while no impairment was incurred in 2014. However, RMB recorded depreciation against the USD and HKD in 2014, resulting in exchange loss of approximately HK$22.32 million (2013: Nil), and thus the administrative expenses of the Group increased during the year.

Finance costs

On 9 May 2014, the Group issued bonds with an aggregate principal amount of RMB600 million with a coupon rate of 4% per annum for a term of three years. The net proceeds of approximately RMB566 million from issuance of bonds was used for working capital and general corporate purposes.

Finance costs incurred by the Group in 2014 amounted to approximately HK$155.33 million (2013: approximately HK$317.37 million), representing a decrease of approximately HK$162.04 million or approximately 51% as compared to that in 2013. Finance costs mainly included consolidated finance costs expenditure of bulk commodity trade business which in aggregate amounted to approximately HK$115.19 million (2013: approximately HK$275.34 million) (including interest expenses on discounted bills amortised or charged for the current period and bank loan interest amounted to approximately HK$106.79 million (2013: approximately HK$235.84 million)) and interest expenses and amortisation costs of bonds issuance which amounted to approximately HK$42.99 million (2013: approximately HK$38.08 million), representing a decrease of approximately 55% and an increase of approximately 13% as compared to 2013 for consolidated finance cost expenditure of bulk commodity trade business and interest expenses of bonds issuance respectively. The significant decrease in finance costs was mainly due to the decrease in bulk commodity trade finance business during the year.

III. OUTLOOK

Looking back 2014, the overall macro economy operated steadily although the growth has slowed down. The gross domestic product (GDP) showed a year-on-year increase of 7.4%, which is the lowest in the most recent 24 years. Looking forward, due to the uncertainty in the global economic recovery in the short run and numerous uncertainties in the PRC economy, the economy will still experience downward pressure in the short term. With a series of policies published by the government to stabilize the growth and factors such as the all-round and in-depth reform, new urbanization and the recovery growth in consumption, China's economy will remain "stable with good momentum" in the long run.

At present, China has become the largest importer and consumer in terms of bulk commodity. Given the weakened domestic economy, together with structure adjustment and overcapacity, etc., the price of bulk commodity continued to decrease. Accordingly, international investment banks disposed of their assets related to the bulk commodity trade, which resulted in overall loss in domestic resources companies. The market has not seen any evidence of recovery in the short term.

The Group has always attached high importance to risk monitoring. In 2014, the Group adjusted its bulk commodity trade business and coal resource acquisition business. The Group has ceased and disposed the bulk commodity trade businesses of its non-wholly owned subsidiaries, Chengtong International Trading and Hangzhou Ruineng and terminated the acquisition of Guangxi coal resources and reorganised the assets related to the acquisition. The Group will conduct relevant businesses cautiously according to the changes in internal and external environments. The Group significantly cut down the bulk commodity trade volume since a loss was recorded in the fourth quarter of 2014. Up to now, as the demands for bulk commodity in the PRC has not been improved and the prices experienced material fluctuation, the Group will still adopt a prudential principle to further decrease the trade volume of bulk commodities. Business strategies will be adjusted in the future in a timely manner according to the supply and demand in the market, while the focus will be shifted to energy services which are based on coal trade business in the future. Since its acquisition of 大豐瑞能燃料有限公司(unofficial English translation being Dafeng Ruineng Fuel Company Limited) ("**Dafeng Ruineng**") in the fourth quarter of 2010, trading of coal has become one of the major businesses of the Group. Meanwhile, the coal trade business center of the Group has shifted from the Eastern China market to the Southern China market, for which Dafeng Ruineng relocated the place of business and registration to Gaolan Port in Zhuhai, Guangdong, and was renamed as "誠通能源廣東有限公司", in a bid to better leverage the market expanding ability and experience of the coal trade team of the Group. In the future, the Group will provide mixed portfolio by purchasing different types of coals according to clients' demands, so as to increase the additional value of coal trade and explore the feasibility of integrating the market of steam heating and cogeneration powered by coal in Pearl River Delta.

The Group had completed the acquisitions of several subsidiaries of CCHG in December 2012, which are mainly engaged in hotel operation and provision of marine entertainment services in Hainan Province, the PRC. Thus far, these companies have recorded stable operating profits due to their right to use the sea area nearby. Against the background that tourism market in Sanya will continue to improve in 2015, the Group will actively seek for new shoreline resources in Hainan and other coastal districts while maintaining a good level of profitability, and strive to replicate the existing marine amusement projects to cultivate new profit growth point. In respect of the existing hotels in Sanya, the Group has demonstrated the feasibility of reconstructing and repositioning of such hotels to create the "New Media Experience Center" with combination of "ocean theme, high-tech elements and local culture", so as to bring into full play the advantage and profitability of the scarce location where those hotels are located. The Group targets to commence the construction of the project in 2015, and thus achieve the positive linkage between maritime and land projects and create greater value.

As for property development, in 2015, the Group will continue to carry forward the development and construction of the project of CCT-Champs-Elysees located in Zhucheng of Shandong Province, which will contribute stable sales income to the Group. In respect of Dafeng Harbour Development, whose equity interest is held by the Group as to 66.67%, considering the immature local market, the Group intends to dispose of certain industrial and commercial lands in return for general cash flow while continuing to carrying out the sales of units in Part II of "Chengtong International City" in 2015.

In terms of the finance leasing, considering its good development prospects in China and that the large logistics infrastructure and paper-making equipment within the system of CCHG has established stable demand in the internal leasing market, the Group will make greater efforts in this business in 2015, enhance the ability of business development, give full play to the capital strength of the financial markets in Hong Kong and seize the opportunities arising from the internal and external markets with a view to achieve rapid development of the business.

The Group will pay close attention to and take every possible opportunity in the in-depth reform of state-owned enterprises to generate greater value for all shareholders. The Board is full of confidence in the future development of the Group.

IV. FINANCIAL ANALYSIS

(1) Debt to assets ratio

As at 31 December 2014, the interest-bearing bank borrowings, corporate bonds and other loans of the Group were approximately HK$68.16 million (as at 31 December 2013: approximately HK$9,273.70 million), HK$721.61 million (as at 31 December 2013: approximately HK$761.53 million) and HK$0.60 million (as at 31 December 2013: approximately HK$0.60 million) respectively, representing a decrease of approximately 99% in interest-bearing bank borrowings and a decrease of approximately 5% in corporate bonds while other loans remained the same as compared with that as at 31 December 2013. As at 31 December 2014, the total borrowings amounted to approximately HK$790.37 million (as at 31 December 2013: approximately HK$10,035.83 million), representing a decrease of approximately HK$9,245.46 million or approximately 92% as compared with the total borrowings as at 31 December 2013. The debt to assets ratio (expressed as total debt divided by total assets) declined from approximately 51% as at 31 December 2013 to approximately 14% as at 31 December 2014. The decline in debt to assets ratio was mainly due to the decrease in bulk commodity trade and financing business during the year.

(2) Liquidity and capital resources

The Group's financial position remained healthy and stable. As at 31 December 2014, the Group had cash and bank balances including pledged bank deposits and structured bank deposit amounting to approximately HK$3,165.70 million (as at 31 December 2013: approximately HK$3,233.37 million), and current assets and current liabilities of approximately HK$5,218.94 million (as at 31 December 2013: approximately HK$18,911.71 million) and HK$2,951.72 million (as at 31 December 2013: approximately HK$17,445.01 million) respectively. The net current assets increased by approximately 55% from approximately HK$1,466.69 million as at 31 December 2013 to approximately HK$2,267.22 million as at 31 December 2014.

During the year, the Group's three-year corporate bonds with the fixed annual interest rate of 4% amounted to approximately HK$721.61 million as at 31 December 2014 (as at 31 December 2013: approximately HK$761.53 million) and will mature on 9 May 2017. As at 31 December 2014, the Group's discounted bills with recourse of approximately HK$53.04 million (as at 31 December 2013: approximately HK$9,264.43 million) and short-term loans of approximately HK$15.12 million (as at 31 December 2013: approximately HK$9.27 million) were secured and repayable within one year with interest at commercial rate. The other loans from third parties of HK$0.6 million (as at 31 December 2013: HK$0.6 million) was unsecured, repayable on demand and interest-free. The Group anticipates that it has adequate financial resources to meet its commitments and obligations for the coming year. The Group will continue to employ conservative and sound financial planning in order to ensure a solid financial position to support its future growth.

(3) Pledge of assets

As at 31 December 2014, gross amount of bills payable of approximately HK$2,603 million (as at 31 December 2013: approximately HK$6,513 million) were secured by gross bank deposits, structured bank deposits and short-term investments of approximately HK$1,773 million, HK$184 million and HK$428 million respectively (as at 31 December 2013: secured by gross bank deposits and short-term investments of approximately HK$2,766 million and HK$2,808 million respectively).

As at 31 December 2014, discounted bills with recourse of approximately HK$53 million (as at 31 December 2013: approximately HK$9,481 million) were secured by short-term investments of approximately HK$53 million (as at 31 December 2013: approximately HK$9,264 million).

As at 31 December 2014, gross amount of short-term bank loans of approximately HK$15 million (as at 31 December 2013: approximately HK$1,713 million) were secured by pledged bank deposits with gross amounts of approximately HK$15 million (as at 31 December 2013: approximately HK$1,705 million).

As at 31 December 2014, the gross amounts of pledged bank deposits amounted to approximately HK$1,773 million, HK$ Nil and HK$2 million were pledged for bills payable, bank borrowings and pledged against banking facilities granted to mortgagees respectively (as at 31 December 2013: amount pledged for bills payable: approximately HK$673 million, amount pledged for bank borrowings: approximately HK$2 million and amount pledged against banking facilities granted to mortgagees: approximately HK$1 million).

CONTINGENT LIABILITIES AND COMMITMENTS

Please refer to notes 21 and 22 to the consolidated financial statements in this announcement.

TREASURY POLICIES

The business activities and operation of the Group are mainly in Mainland China and Hong Kong, with transactions denominated in Hong Kong dollars, Renminbi and US dollars, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised. At times of interest rate or exchange rate uncertainty or volatility and where appropriate, hedging instruments including swaps and forwards are used in the management of exposure to interest rate and foreign exchange rate fluctuations.

The Group's borrowings are principally on a floating rate basis and where appropriate, swaps are arranged to convert the rates and related terms of fixed rate bonds issued to a floating rate basis.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2014, the Group employed a total of 314 employees (as at 31 December 2013: 349), of which 12 were based in Hong Kong (as at 31 December 2013: 15) and 302 were based in Mainland China (as at 31 December 2013: 334). 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 ("**Remuneration Committee**"), having regard to the Company's corporate goals, the individual performance of the Directors and comparable market statistics. The Company has adopted a share option scheme under which the Company may grant options to Directors and eligible employees to subscribe for shares of the Company. The Group has also adopted a share award scheme ("**Share Award Scheme**") under which shares of the Company will be awarded, with the approval of the Board, to selected employees to recognise the contribution by them and to give them incentives thereto in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group.

POST REPORTING DATE EVENTS

Please refer to note 23 to the consolidated financial statements in this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct ("**Code of Conduct**") regarding Directors' Securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Code of Conduct and the Model Code during the year ended 31 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2014, the Company has complied with provisions of Rules 3.10 and 3.10A of the Listing Rules that a sufficient number of independent non-executive directors shall be appointed by listed issuers and that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. For the detailed profile of the independent non-executive Directors, please refer to the annual report of the Company for the year ended 31 December 2014.

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, save as mentioned below, 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 2014.

According to the code provision E.1.2 of the CG Code, the chairman of the Board shall attend the annual general meeting of the Company. At the annual general meeting of the Company held on 25 June 2014 ("**2014 AGM**"), Mr. Yuan Shaoli, the chairman of the Board, was unable to attend due to unexpected business engagement. Mr. Wang Hongxin, the managing Director, chaired the 2014 AGM on behalf of the chairman of the Board pursuant to the articles of association of the Company and was available to answer questions.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") comprises three independent non-executive Directors, including Mr. Chan Sheung Lai as chairman of the Audit Committee, Mr. Lee Man Chun, Tony, and Mr. Chang Qing. The principal duties of the Audit Committee include the review of the Company's financial reporting procedures, internal controls and results of the Group. The audited consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

Pursuant to the provisions of the CG Code, the Board has established the Remuneration Committee. The Remuneration Committee comprises two independent non-executive Directors, Mr. Lee Man Chun, Tony as chairman of the Remuneration Committee and Mr. Chan Sheung Lai and an executive Director and the chairman of the Board, Mr. Yuan Shaoli. The Remuneration Committee normally meets for reviewing the remuneration policy and structure, determining the annual remuneration packages of the members of the Board and the senior management and other related matters.

NOMINATION COMMITTEE

The Company has established a nomination committee ("**Nomination Committee**") which is chaired by an executive Director and the chairman of the Board, Mr. Yuan Shaoli. Other members of the Nomination Committee include two independent non-executive Directors, Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai. The Nomination Committee is responsible for nominating potential candidates for directorship appointment and succession planning of the Board, reviewing the composition and structure of the Board regularly and making appropriate recommendation to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, BDO Limited. The work performed by BDO Limited in this respect do not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange 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 2014 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, 5 March 2015

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