China Chengtong Development Group Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 217

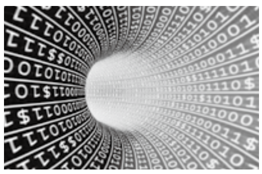
ANNUAL REPORT

2011

CONTENTS








Corporate Information

BOARD OF DIRECTORS

Executive Directors
Zhang Guotong *(Chairman)*
Yuan Shaoli *(Vice Chairman)*
Wang Hongxin *(Managing Director)*
Wang Tianlin *(Deputy General Manager)*

Independent Non-Executive Directors
Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Ba Shusong

AUDIT COMMITTEE

Kwong Che Keung, Gordon *(Chairman)*
Tsui Yiu Wa, Alec
Ba Shusong

REMUNERATION COMMITTEE

Tsui Yiu Wa, Alec *(Chairman)*
Kwong Che Keung, Gordon
Zhang Guotong

NOMINATION COMMITTEE

Zhang Guotong *(Chairman)*
Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec

COMPANY SECRETARY

Hui Lap Tak

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited, Hong Kong Branch
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6406
64/F., Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2160-1600
Fax: (852) 2160-1608

WEBSITE ADDRESS

Website: www.irasia.com/listco/hk/chengtong
www.hk217.com
E-mail: public@hk217.com

SHARE REGISTRAR & TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46/F., Hopewell Centre
183 Queen's Road East, Wanchai,
Hong Kong
Tel: (852) 2862-8628
Fax: (852) 2865-0990

STOCK CODE

217

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present to all shareholders (the "Shareholders") the annual report of China Chengtong Development Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2011 (the "Year").

During the Year, the Group recorded turnover of approximately HK$419 million (2010: approximately HK$90 million); the gross profit of all business segments of the Group totaled approximately HK$60.58 million (2010: approximately HK$11.32 million); profit attributable to shareholders amounted to approximately HK$36.38 million (2010: approximately HK$87.89 million). The significant rise in the turnover and gross profit of the Group for the Year over last year (3.7-fold and 4.4-fold increase respectively) was attributable to the turnover of bulk commodity trade which was newly commenced in 2011 and the sustained growth in turnover and gross profit of all the other business segments. Profit attributable to shareholders for the Year decreased as compared to last year because the Group recorded a higher non-recurrent gain on disposal of subsidiaries last year.

The principal activities of the Group are bulk commodity trade, trading of coal, property development, property investment (including industrial and logistic land resources development) and financial leasing. During the Year, the bulk commodity trading business grew rapidly, and in addition to trading business, the Group put a great deal of effort in exploring upstream resources and evaluated the feasibility of a number of large-scale mineral resources investment projects, laying a foundation for the Group's transformation into a comprehensive supplier of bulk commodity and energy. In respect of property investment and development, the Group introduced strategic partners and a professional team to strive for an enhancement in capabilities of professional operation in these segments, especially the ability to generate cash inflows and profit. As for strategic investment, the Group entered into an agreement with its controlling shareholder for the acquisition of marine tourism-related assets located in Hainan Province, China owned by its controlling shareholder. Completion of the acquisition is expected to take place in mid-2012. After the completion of such acquisition, the Group will have additional marine tourism-related net assets amounting to approximately RMB250 million (subject to adjustment) which will be a strategic investment operation with strong competitiveness and promising development potential.

The Group has always been attaching great importance to corporate governance. During the Year, the Group improved on an ongoing basis the mechanism for communication between the management and the Board and constantly enhanced the risk control system for management of all operations and financial capital by the Board, the Audit Committee and the management so as to effectively prevent various risks.

Looking forward to 2012, the Group believes the Chinese economy will get through difficult time and maintain steady growth despite the continuing global economic turmoil and uncertainties. China is the world's factory and a country with large demands for raw materials and energy, and China Chengtong Holdings Group Limited, the Group's ultimate controlling shareholder, is a leading player in China's raw materials, energy trade and logistics sectors. All these factors underpin the Group's ambition to grow into an international comprehensive supplier of bulk commodity. The Group will align its operations with the needs of national economic development and leverage the advantage brought by its controlling shareholder as a central government-controlled enterprise, step up efforts for business expansion, especially international trade of bulk commodity and acquisition of mineral resources to create more value for Shareholders. The Board and I are confident about the future of the Group!

Finally, I would like to express my sincere gratitude to all Shareholders and communities for their support and care to the Group. I would also like to thank all our employees for their dedicated efforts throughout the year.

Zhang Guotong
Chairman

Hong Kong, 12 March 2012

Management Discussion and Analysis

I. FINANCIAL RESULTS

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

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

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

II. BUSINESS REVIEW

(1) Bulk Commodity Trade

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

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

(2) Financial Leasing

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

(3) Trading of Coal

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

(4) Property Development

(i) Zhucheng of Shandong Province

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

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

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

(ii) Dafeng of Jiangsu Province

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

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

(5) Property Investment

(i) Land Resources Development

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

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

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

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

III. CAPITAL INJECTION PROJECT

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

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

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

IV. OUTLOOK

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

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

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

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

GEARING RATIO

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES AND EMOLUMENT POLICY

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

PLEDGE OF ASSET

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

As at 31 December 2011, the short-term bank loans of HK$48.80 million (31 December 2010: HK$47.20 million) were secured by the land use rights included in property held for development amounting to HK$108.58 million (31 December 2010: HK$105.02 million).

COMMITMENT

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

CONTINGENT LIABILITIES

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

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

DIRECTORS

Mr. Zhang Guotong

Aged 48, is an executive Director and the Chairman of the Board. Mr. Zhang joined the Group in February 2003. Mr. Zhang graduated from Sun Yat-sen University in 1985 and holds a bachelor degree in economics. He had served as general manager of China National Materials Development & Investment Corporation, president of China Logistics Limited and a director of CCHG. Mr. Zhang has extensive experience in business policy research and business administration. Mr. Zhang is also a director of several subsidiaries of the Company, and a director of CCHK and World Gain Holdings Limited ("World Gain").

Mr. Yuan Shaoli

Aged 57, is an executive Director and the vice Chairman of the Board. Mr. Yuan joined the Group in March 2011. Mr. Yuan had served as the deputy division chief, the division chief and a deputy director of the Central State Organizations of China for several years. He had also served as the deputy general manager of China Huandao (Group) Company (a subsidiary of CCHG). Mr. Yuan is presently the Chairman of China Huandao (Group) Company, a director of CCHK and a director of World Gain. Mr. Yuan has extensive experience in business management, assets management, public relations and human resources management.

Mr. Wang Hongxin

Aged 48, is an executive Director and the Managing Director of the Company. Mr. Wang joined the Group in March 2005. Mr. Wang holds a master degree in business administration from the Guanghua Management School of Peking University, and a bachelor degree of arts of Jilin Normal University. Mr Wang has rich experiences in corporate management. He had served as a director and a deputy general manager for Maoming Yongye (Group) Co. Ltd., whose shares are listed on the Shenzhen Stock Exchange and previously worked for China National Materials Development & Investment Corporation as assistant to general manager. Mr. Wang is also a director of several subsidiaries of the Company.

Mr. Wang Tianlin

Aged 39, is an executive Director and a Deputy General Manager of the Company, the general manager of the Company's major subsidiary Chengtong Financial Leasing, and a director of several subsidiaries of the Company. Mr. Wang joined the Group in February 2007. Mr. Wang obtained his bachelor and master degrees from Beijing Institute of Technology and in 2003 he obtained his master degree of business administration in finance from The Chinese University of Hong Kong. Mr. Wang has extensive experience in corporate governance, capital management and business administration. Mr. Wang was previously the secretary to the board of Sihuan Pharmaceutical Company Limited whose shares are listed on the Shenzhen Stock Exchange and also was the assistant to president for CCHK.

Mr. Tsui Yiu Wa, Alec

Aged 62, is an independent non-executive Director. Mr. Tsui joined the Group in March 2003. He is the chairman of WAG Worldsec Corporate Finance Limited. Mr. Tsui was the chairman of the Hong Kong Securities Institute from 2001 to 2004, and the Chief Operating Officer of Hong Kong Exchanges and Clearing Limited in 2000. He is an independent non-executive director of a number of listed companies in Hong Kong, Shanghai and Nasdaq, including China Power International Development Limited, COSCO International Holdings Limited, China BlueChemical Limited, Melco Crown Entertainment Limited, Pacific Online Limited, China Oilfield Services Limited, ATA Inc. and Summit Ascent Holdings Limited. He is also the chairman of Hong Kong Professional Consultants Association Limited. He is an independent director of Industrial and Commercial Bank of China (Asia) Limited and also an independent non-executive director of Ageas Insurance Company (Asia) Limited and Ageas Asia Holding Limited. Mr. Tsui graduated from the University of Tennessee, United States with a bachelor of science degree and a master of engineering degree in industrial engineering. He completed a program for senior managers in government at the John F.Kennedy School of Government of Harvard University. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management.

Mr. Kwong Che Keung, Gordon

Aged 62, is an independent non-executive Director. Mr. Kwong joined the Group in March 2003. He currently serves as independent non-executive director of a number of companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely China COSCO Holdings Company Limited, NWS Holdings Limited, OP Financial Investments Limited, Global Digital Creations Holdings Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, CITIC Telecom International Holdings Limited and Chow Tai Fook Jewellery Group Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992-1997. He has a bachelor of social science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was an independent non-executive director of Fraser Property (China) Limited until January 2011. He was also an independent non-executive director of COSCO International Holdings Limited and Beijing Capital International Airport Company Limited until June 2011.

Mr. Ba Shusong

Aged 42, is an independent non-executive Director. Mr. Ba joined the Group in April 2007. Mr. Ba obtained his bachelor and master degrees in 1991 and 1994 from the Huazhong University of Science and Technology and in 1999, he obtained his doctorate degree from the Central University of Finance and Economics. From 2000 to 2002, he conducted his post doctoral research in Peking University Centre of China Economic Research, his major research areas are risk management of financial institutions, corporate governance and regulatory regime of financial markets. Mr. Ba is the vice director of the Finance Research Institute, Development Research Centre of the State Council of the PRC and also the Chief Economist of China Banking Association, a deputy secretary-general of China Society of Macroeconomics and a member of the Fund Panel of the Department of Fund Supervision (基金監管部基金評審委員會委員) of the China Securities Regulatory Commission, an examination panel member of the China Banking Regulatory Commission. He is currently an independent director of Guoyuan Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange), an independent non-executive director of Industrial Bank Co., Ltd. and Shanghai Great Wisdom Co., Ltd. (both companies are listed on the Shanghai Stock Exchange), and an independent director of Guosen Securities Co., Ltd. and Dalian Wangda Commercial Properties Co., Ltd.. He was also an independent non-executive director of Temujin International Investments Limited until August 2011. In addition, he serves in a number of government committees and certain non-government organizations committees and works as a part-time professor and postgraduate supervisor at a number of universities such as the University of Science and Technology of China and Huazhong University of Science and Technology.

SENIOR MANAGEMENT

Mr. Zhang Bin

Aged 43, is the deputy general manager of the Company. Mr. Zhang joined the Group in July 2010. Mr. Zhang holds an EMBA degree from China Europe International Business School and a doctorate degree from Peking University. He also undertook post-doctoral research in Rutgers, The State University of New Jersey and North Carolina State University in the United States. He has rich theoretical and practical experience in corporate management and risk control. Mr. Zhang has been the deputy general manager of CCHK since 2007.

Ms. Chan Yuet Kwai

Aged 48, is the financial controller of the Company and a director of several subsidiaries of the Company. Ms. Chan is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, a member of American Institute of Certified Public Accountants and a certified public accountant of Washington State in the United States. She also holds a master degree in business administration. Ms. Chan has over 20 years experience in the fields of auditing, accounting and finance. Before joining the Group, she had served as financial controller of Hong Kong listed companies for over 13 years. Ms. Chan joined the Group in June 2006.

COMPANY SECRETARY

Mr. Hui Lap Tak

Mr. Hui has been appointed as the company secretary of the Company since 7 January 2011. Mr. Hui is a practising solicitor in Hong Kong. Mr. Hui obtained the Bachelor of Laws degree from the University of Hong Kong and was admitted as a solicitor of the High Court of Hong Kong. Mr. Hui has experience in corporate finance and compliances matters for listed companies in Hong Kong. Mr. Hui is presently an associate member of the Institute of Chartered Secretaries and Administrators, an associate member of the Hong Kong Institute of Chartered Secretaries and an ordinary member of the Hong Kong Securities Institute.

The Board is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2011.

The Group considers that good corporate governance is vital to the healthy and sustainable development of the Group. To ensure a high standard of corporate governance, the Group strives to uphold high standard of corporate governance continuously.

The Company has complied with all the code provisions ("Code Provisions") set out in Code on Corporate Governance Practices ("Code") as set out in the then prevailing Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2011 except for the following deviation:

Under the Code Provision E.1.2, the chairman of the board shall attend the annual general meeting of the company. Due to other business commitment, Mr. Zhang Guotong, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 23 May 2011, and Mr. Yuan Shaoli, the Vice Chairman of the Company, presided as the chairman at the annual general meeting.

The Company periodically reviews its corporate governance practices to ensure those continue to meet the requirements of the Code, and acknowledges the important role of the Board in providing effective leadership and direction to the Company's business, and ensuring operational transparency and accountability.

In view of the amendments to Appendix 14 to the Listing Rules which becomes effective on 1 April 2012, the Board has passed a resolution to adopt a new corporate governance code which will be effective on 1 April 2012 to comply with the new requirements as set out in the Appendix 14 to the Listing Rules.

The key corporate governance principles and practices of the Company during the year ended 31 December 2011 are summarised as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies, plans, and oversees their implementation to sustain the healthy growth of the Company, in the interests of the Shareholders.

The Board is responsible for all major matters of the Group, and the approval and monitoring of all material changes in policies, including risk management strategies, dividend policy, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensure the Board's procedures and all applicable rules and regulations are followed. In general, each director can seek independent professional advices in appropriate circumstances at the Company's expenses, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director, executive Directors and senior management. The delegated functions are periodically reviewed. Approval from the Board has to be obtained prior to entering into any significant transactions.

Composition

The composition of the Board encompasses the necessary balance of skills and experiences desirable for effective leadership of the Group and reflects the independence in decision making of the Board.

In the current year and as at date of this report, the Board comprised the following Directors:

Executive Directors

ZHANG Guotong	*(Chairman, Chairman of nomination committee of the Company ("Nomination Committee") and member of Remuneration Committee of the Company*
YUAN Shaoli	*(Vice Chairman, appointed on 9 March 2011)*
WANG Hongxin	*(Managing Director)*
WANG Tianlin	*(Deputy General Manager)*

Non-executive Directors

XU Zhen	*(member of audit committee of the Company ("Audit Committee"), retired on 23 May 2011)*
GU Laiyun	*(retired on 23 May 2011)*

Independent non-executive Directors

KWONG Che Keung, Gordon	*(Chairman of Audit Committee, member of Remuneration Committee and member of Nomination Committee)*
TSUI Yiu Wa, Alec	*(Chairman of Remuneration Committee, member of Audit Committee and member of Nomination Committee)*
BA Shusong	*(member of Audit Committee)*

As at date of this report, the Board comprised seven members, consisting of four executive Directors and three independent non-executive Directors.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise and relevant experience to the Board and provide independent opinions for decision-making of the Board. Through active participation in Board meetings, taking the lead in issues involving potential conflicts of interest and serving on committees of the Board, all independent non-executive Directors make positive contributions to the orderly management and effective operation of the Company.

Appointment and Succession Planning of Directors

The Company has established a Nomination Committee and formal, considered and transparent procedures for the appointment and succession planning of Directors. Appropriate candidates as properly selected by the Nomination Committee will be proposed to the Board for approval.

In accordance with the Company's articles of association ("Articles of Association"), one third of the Directors are subject to retirement by rotation every year and any new Director appointed to fill a causal vacancy or as an addition to the Board shall be eligible for re-election at the first general meeting after appointment.

The Board and Nomination Committee as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the candidates proposed by the Nomination Committee, the Company's needs and other relevant statutory requirements and regulations. The Board will consider engaging an external recruitment agency to carry out the recruitment and selection process when necessary.

The Board recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

All non-executive Directors were appointed for one year up to the date of the next annual general meeting.

Detailed information of the Directors standing for re-election are set out in the circular in relation to the forthcoming annual general meeting to be despatched to the Shareholders.

Board Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the Group's financial and operating performance, discussing annual and interim results and considering and approving the overall strategies of the Company.

During the year ended 31 December 2011, six Board meetings were held, including four regular Board meetings.

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee during the year ended 31 December 2011 is set out below:

	Number of Attendance/ Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
ZHANG Guotong	6/6	Not applicable	1/1	1/1
YUAN Shaoli *(Note 1)*	5/5	Not applicable	Not applicable	Not applicable
WANG Hongxin	6/6	Not applicable	Not applicable	Not applicable
WANG Tianlin	6/6	Not applicable	Not applicable	Not applicable
XU Zhen *(Note 2)*	0/1	1/1	Not applicable	Not applicable
GU Laiyun *(Note 2)*	1/1	Not applicable	Not applicable	Not applicable
KWONG Che Keung, Gordon	6/6	2/2	1/1	1/1
TSUI Yiu Wa, Alec	6/6	2/2	1/1	1/1
BA Shusong	5/6	2/2	Not applicable	Not applicable

Notes: 1. Mr. Yuan Shaoli was appointed as an executive Director and Vice Chairman on 9 March 2011.

2. Mr. Gu Laiyun and Ms. Xu Zhen retired from office as non-executive Directors and ceased to be members of the relevant committees on 23 May 2011.

Practices and Conduct of Meetings

Meeting schedules and agenda of each meeting are normally made available to Directors in advance. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The company secretary assists the Chairman to prepare the agenda for the Board meetings and ensures that all applicable rules and regulations are followed in each meeting. Draft agenda is sent to all Directors in advance to allow Directors to include any matter they would like to discuss in the agenda. Draft minutes are circulated to all Directors for review and amendment as soon as practicable. All Board members will be given a copy of the finalised minutes approved by Directors who attended the meeting.

Should a Director be involved in any conflict of interest in proposed transactions, the Director concerned will not participate in the discussion and will abstain from voting on related resolutions. Directors without involving in any conflict of interest will be present at meetings to vote and resolve on such issues.

Chairman and Managing Director

The positions of Chairman of the Board and Managing Director of the Company are held by Mr. Zhang Guotong and Mr. Wang Hongxin respectively. Their respective responsibilities are clearly defined and set out in writing to ensure a balance of power and authority.

Zhang Guotong, the Chairman, provides leadership and is responsible for ensuring that relevant duties and responsibilities have been fully and appropriately executed by Directors in accordance with good corporate governance practice. With support of the senior management, the Chairman is also responsible for ensuring that each of the Directors can receive adequate, complete and reliable information timely and appropriate briefing on issues arising at Board meetings.

Wang Hongxin, the Managing Director, is responsible for leading the management to implement policies, strategies as well as all goals and plans adopted and approved by the Board, and is in charge of the Company's day-to-day operations.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee, each overseeing and being responsible for affairs in different aspect of the Company. All Board committees of the Company are established with defined written terms of reference.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

EXECUTIVE COMMITTEE

The Executive Committee comprises all executive Directors. The Executive Committee is responsible for the daily business operation and management of the Company, the execution of decisions and strategies of the Board within the scope of authorization granted by the Board. The Executive Committee regularly reports to the Board regarding the Group's business operation and seeks its advice and approval on matters involving material decision-making.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, and Mr. Ba Shusong. Mr. Kwong Che Keung, Gordon is the chairman of Audit Committee and an independent non-executive Director who possesses the appropriate professional accounting qualifications and financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, its fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee has held two meetings during the year ended 31 December 2011 to review the financial results and reports, capital management system, internal control system and the re-appointment of the external auditor.

During the year under review, there are no material uncertainties or events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There was no disagreement between the Audit Committee and Directors in respect of matters about selection, appointment, resignation or dismissal of an external auditor.

During the year under review, the Company's interim results for the six months ended 30 June 2011 and annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two independent non-executive Directors and the Chairman of the Board, namely, Mr. Tsui Yiu Wa, Alec (Chairman of the Remuneration Committee), Mr. Kwong Che Keung, Gordon and Mr. Zhang Guotong. The primary objectives of the Remuneration Committee include making recommendations on and granting approval on the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. The remuneration of Directors and the senior management will be determined by reference to the performance of the individual, the Company and its peers as well as market conditions.

The Remuneration Committee meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the members of the Board and the senior management and other related matters. The human resources department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Managing Director about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee held a meeting during the year ended 31 December 2011 and reviewed the remuneration policy and structure of the Company and remuneration packages of the Directors and the senior management.

NOMINATION COMMITTEE

The Company has established a Nomination Committee and was chaired by Mr. Zhang Guotong, the Chairman of the Board, other members of the Nomination Committee include the other two independent non-executive Directors, namely, Mr. Kwong Che Keung, Gordon and Mr. Tsui Yiu Wa, Alec. The Nomination Committee is responsible for nominating candidates for directorship appointment and succession, review on the composition and structure of the Board from time to time and making recommendations to the Board in order to ensure the balance of expertise, skills and experience among the members of the Board. Nomination of candidates for directorship will be made with reference to the possession of appropriate skills, industry experience, professional knowledge, personal integrity and time for participating in the Company's affairs. For the year ended 31 December 2011, the Nomination Committee held a meeting and proposed to the Board the nomination of Mr. Yuan Shaoli as an executive Director and Vice Chairman of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

In the year ended 31 December 2011, the Company has adopted its own code of conduct regarding Directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2011.

The Company also has set written guidelines on terms no less exacting than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company due to their responsibilities and duties. No incident of non-compliance of the written guidelines by the employees was noted by the Board during the year.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 24 in this annual report.

The remuneration paid to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2011 amounted to approximately HK$1,000,000 and HK$1,381,000 respectively. An analysis of the remuneration paid to the external auditor of the Company is set out below:

	Amount of Fee Payable/Paid *(HK$'000)*
Audit services	1,000
Review on interim results	210
Other non-audit services *(note)*	1,171
Total	2,381

Note: mainly include approximately HK$1,000,000 professional fee for the preparation of relevant financial information in relation to an acquisition transaction during the year.

INTERNAL CONTROLS

The Company has an organization structure with defined lines of responsibility and appropriate responsibility and authority were delegated to senior management. The Board is responsible for the establishment and effective operation of the internal control system. However, such system aims at limiting the risks of the Group to an acceptable level but not at eliminating all risks. Hence, such system can only provide reasonable assurance that there will not be any error in financial information and record, and there will not be any loss or fraud.

The Board has established effective and operational procedures to identify, assess and manage major risks faced by the Group. Such procedures will be updated from time to time to reflect the changes in circumstances and rules and regulations, and shall be used as a guideline for updating the internal control system in a timely manner. The Board considers that as at the date of this annual report, the internal control system is adequate and effective in safeguarding the assets of the Group and protecting the interests of Shareholders, customers and employees of the Group.

The management is responsible for implementing the procedures approved by the Board to identify, assess and manage major risks faced by the Group. Such procedures include the design, operation and supervision of suitable internal control to mitigate and control risks. Major procedures established for reviewing the suitability and compliance of the internal control system are as follows:

- The Board is responsible for the supervision of all business activities of the Group and the implementation of strategic plans and policy. The management is responsible for the effective daily operation of the Group and for ensuring that the Group operates in accordance with the target, strategy and budget of the Group.

- The Audit Committee periodically reviews the controlled items of risk management department, external auditor, regulatory bodies and management, and assesses the feasibility and effectiveness of risk management and the internal control system.

- The risk control department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions and subsidiaries to identify any irregularities and risks, develops action plans and makes recommendations to address the identified risks, and reports to the Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

In strict compliance with the requirements of Code Provision C.2.1, the Group has conducted a comprehensive review of the internal control system under the guidance of the Board and the senior management in 2011. The review assessed the prevailing internal control and risk management practices of the Group and covered various aspects including financial control, operational control, compliance control and risk management.

NON-COMPLIANCE WITH THE LISTING RULES

The Board always strives to ensure that the Company has complied with all relevant requirements under the Listing Rules. As regards connected transactions, the Company has established internal control procedures to identify potential connected transactions and, if required, seek prior independent shareholders' approval. Notwithstanding this, during the period under review, the Company has not sought prior shareholders' approval for a connected transaction involving sales of tin ingots by Chengtong International Trading (a 55%-owned subdiary of the Company) to a connected person ("Sales Transaction"). Details of the Sales Transaction are set out in the Company's announcement dated 9 January 2012 and the Company's circular dated 9 February 2012.

As immediate remedial actions, the Company has published the said announcement and has obtained written approval from the controlling shareholder of the Company to approve the Sales Transaction. An independent board committee has also been established to advise the independent shareholders in relation to the Sales Transaction. The Company also appointed an independent financial adviser to advise the independent board committee and the independent shareholders on the Sales Transaction as if there shall be a general meeting of the Company to approve the Sales Transaction.

In order to prevent similar incidents from happening again in the future, the Company has taken the following measures:

(i) The Company has reviewed all previous transactions that carried out by Chengtong International Trading and confirmed with the relevant connected person again that none of the counterparty of such transactions (other than the Sales Transaction) is a connected person of the Company.

(ii) The Company has instructed the connected person concerned, the general manager, the deputy general manager and the assistant accounting manager of Chengtong International Trading that if Chengtong International Trading proposes to enter into any transaction (regardless of the amount involved) with any of the connected persons of the Company, they shall notify the Company and seek prior approval from the Company before entering into such transaction.

(iii) Chengtong International Trading will establish a databank of background information of its major suppliers and customers.

(iv) The Company has arranged a training on connected transactions and notifiable transactions under Listing Rules conducted by its Hong Kong legal advisers to its senior management and finance staff (including the connected person concerned). The purpose of such training is to reinforce the understanding of and importance of compliance with Listing Rules.

The Group will continue where possible to improve its internal control system and strengthen its risk management capability.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

Pursuant to the Listing Rules, all the resolutions of general meetings are conducted by way of poll.

Poll results will be posted on the website of the Stock Exchange and the Company on the day of the general meeting.

The general meetings of the Company provide a forum for communication between the Shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the general meetings.

Under the Code Provision E.1.2 of Appendix 14 to the Listing Rules, the chairman of the board shall attend the annual general meeting of the company. Due to other business commitment, Mr. Zhang Guotong, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 23 May 2011, and Mr. Yuan Shaoli, the Vice Chairman of the Company, presided as the chairman at the annual general meeting.

The Company will continue to enhance communications and relationships with its Shareholders and investors to keep them abreast of the Company's developments. Enquiries from investors are dealt with timely.

Currently, investors can access the Company's information through the website of the Stock Exchange and http://www.irasia.com/listco/hk/chengtong.

The Directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 18 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 26.

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of share capital of the Company are set out in note 39 to the consolidated financial statements.

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

Month of the repurchases	**Number of repurchased shares**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration**
		HK$	*HK$*	*HK$*
September 2011	5,500,000	0.340	0.305	1,760,299.40
October 2011	4,482,000	0.355	0.280	1,460,563.60
	9,982,000			3,220,863.00

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

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31.

Details of the movements in the reserve of the Company during the year are set out in note 41 to the consolidated financial statements.

As at 31 December 2011, the Company had no distributable reserve as calculated under Section 79B of the Companies Ordinance (31 December 2010: HK$36,681,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the five largest customers represented approximately 66.0% of the Group's total turnover. Sales to the largest customer accounted for approximately 32.7% of the Group's total turnover.

As regards the bulk commodity trade segment, the aggregate amount of revenue for the year ended 31 December 2011 amounted to approximately HK$776,338,000, of which HK$26,036,000 (being the segment revenue less the cost of bulk commodity) was included in the turnover of the Group. There were three customers during the year, and the segment revenue from these three customers accounted for approximately 73.5%, 19.3% and 7.2% of the segment revenue of bulk commodity trade respectively.

During the year, the aggregate amount of purchases (which means the amount of purchases included in the costs of sale but not includes purchases of items which are of a capital nature) attributable to the five largest suppliers represented approximately 70.9% of the Group's total purchases. Purchases from the largest supplier accounted for 28.1% of the Group's total purchases.

As regards the bulk commodity trade segment, the aggregate amount of purchases of bulk commodity for the year ended 31 December 2011 amounted to approximately HK$807,097,000. There were five suppliers during the year, and the purchase of bulk commodity from these five suppliers accounted for approximately 42.2%, 33.1%, 8.5%, 9.2% and 7.0% of the total purchase of bulk commodity respectively.

None of the Directors or any of their associates (as defined in the Listing Rules) or any Shareholders, which to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or suppliers for the year ended 31 December 2011.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Mr. ZHANG Guotong	(Executive Director and Chairman)
Mr. YUAN Shaoli	(Executive Director and Vice Chairman, appointed on 9 March 2011)
Mr. WANG Hongxin	(Executive Director and Managing Director)
Mr. WANG Tianlin	(Executive Director and Deputy General Manager)
Mr. GU Laiyun	(Non-executive Director, retired on 23 May 2011)
Ms. XU Zhen	(Non-executive Director, retired on 23 May 2011)
Mr. KWONG Che Keung, Gordon	(Independent non-executive Director)
Mr. TSUI Yiu Wa, Alec	(Independent non-executive Director)
Mr. BA Shusong	(Independent non-executive Director)

Particulars of the Directors are set out on pages 9 to 10.

Detailed information of the Directors standing for re-election are set out in the circular in relation to the forthcoming annual meeting to be despatched to the Shareholders.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the the Listing Rules and considers that each independent non-executive Director is independent of the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any service contract which is not determinable by the Company within one year without payment of compensation (other than general statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, Directors and chief executives of the Company who had any interests and short positions in the shares or underlying shares of the Company and any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to hold under such provisions of the SFO), or which are required, pursuant to Section 352 of SFO, to be entered in the register referred to therein, or are required, pursuant to the Model Code set out in the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Director	**Capacity**	**Number of shares held** *(Long position)*	**Percentage of the issued share capital of the Company**
ZHANG Guotong	Beneficial owner	365	0.000009%

All the interests stated above represent long positions. As at 31 December 2011, no short position was recorded in the register kept by the Company under Section 352 of Part XV of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the year under review, neither the Company, nor any of its subsidiaries, was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN ISSUED SHARE CAPITAL AND UNDERLYING SHARES

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholders had notified the Company of relevant interests in the issued share capital and underlying shares of the Company.

Name of Shareholder	Capacity	Number of issued ordinary shares held		Percentage of the issued share capital of the Company
World Gain Holdings Limited ("World Gain")	Beneficial owner *(Note 2)*	2,286,343,570	(L)	54.91%
China Chengtong Hong Kong Company Limited ("CCHK")	Controlled corporation *(Note 2)*	2,286,343,570	(L)	54.91%
	Beneficial owner	718,485,943 *(Note 3)*	(L)	17.26%
China Chengtong Holdings Group Limited ("CCHG")	Controlled corporation *(Note 2)*	3,004,829,513	(L)	72.17%

Notes:

1. The letter "L" represents the entity's long position in the Shares of the Company.
2. The entire issued share capital of World Gain is beneficially owned by CCHK, the entire issued share capital of which is beneficially owned by CCHG. Both CCHK and CCHG are deemed to be interested in all the Shares held by World Gain by virtue of the SFO.
3. These Shares of the Company represent the consideration Shares which may be allotted and issued to CCHK, upon completion of the Acquisition Agreement (as defined in the circular of the Company dated 30 September 2011, and assuming the consideration to be payable by the Company under the Acquisition Agreement is adjusted to its maximum extent).

Save as disclosed above, as at 31 December 2011, no other person had any interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO.

RENMINBI DENOMINATED BONDS

In May 2011, the Company issued corporate bonds with a principal amount of RMB600,000,000 and with a fixed interest at 4.5% for a term of 3 years.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

Continuing Connected Transactions

On 8 June 2010, Chengtong Industrial, a wholly-owned subsidiary of the Company, entered into a lease agreement with 中國物流有限公司 (China Logistics Limited) (formerly known as 中國物流公司 (China Logistics Company)) ("CLC") for a lease term of one year from 1 June 2010 to 31 May 2011. According to the lease agreement, Chengtong Industrial granted CLC the right to use, manage and conduct business over the Leased Assets, and CLC shall pay relevant land use tax and real estate tax. Since CLC is a wholly-owned subsidiary of CCHG which is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, this lease agreement constitutes a continuing connected transaction of the Company. Details of the lease agreement are set out in the Company's announcement dated 8 June 2010.

On 16 September 2010, Chengtong Industrial entered into a lease agreement with 中國物資儲運總公司瀋陽虎石台一庫 (China National Materials Storage and Transportation Corporation -Shenyang Hushitai 1st Storage) ("CMST") for a lease term of one year from 1 September 2010 to 31 August 2011. According to the lease agreement, CT Industrial granted CMST the right to use, manage and conduct business over the leased assets, and CMST shall pay a monthly rental of RMB140,000 (equivalent to approximately HK$161,000). Since CMST is a wholly-owned subsidiary of CCHG which is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, this lease agreement constitutes a continuing connected transaction of the Company. Details of the lease are set out in the Company's announcement dated 16 September 2010.

All independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors also confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Based on work performed, Deloitte Touche Tohmatsu, our independent auditor, has confirmed in a letter to the Board to the effect that the above transactions:

(a) have been approved by the Board;

(b) are in accordance with the pricing policies of the Group (if the transactions involve provision of services by the Group);

(c) have been entered into in accordance with the relevant agreements governing the transactions; and

(d) have not exceeded the relevant annual caps disclosed in previous announcements.

Other Connected Transactions

(a) On 26 July 2011, Chengtong Industrial (a wholly-owned subsidiary of the Company), CLC and Agricultural Bank of China Limited, Beijing Xi Cheng branch ("ABC") entered into an entrusted loan agreement (the "Entrusted Loan Agreement"). Pursuant to the Entrusted Loan Agreement, Chengtong Industrial instructed ABC to act as a lending agent to release a loan in the principal amount of RMB35,000,000 (equivalent to approximately HK$42,000,000) (the "Entrusted Loan") to CLC with an interest rate of 13.2% per annum and for a term of one month. The principal amount of the Entrusted Loan together with the interests accrued thereon has been repaid on 26 August 2011. Since CLC is a wholly-owned subsidiary of CCHG which is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, this Entrusted Loan constitutes a connected transaction of the Company. Details of the Entrusted Loan are set out in the Company's announcement dated 26 July 2011.

(b) On 26 July 2011, the Company and its controlling shareholder CCHK entered into a loan agreement. Pursuant to such loan agreement, the Company provides a loan in the principal amount of HK$35,000,000 to CCHK with an interest rate of 12% per annum and for a term of one month. The principal amount of the loan together with the interests accrued thereon had been repaid on 25 August 2011. Since CCHK is a controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, this provision of loan to CCHK constitutes a connected transaction of the Company. Details of the loan agreement are set out in the Company's announcement dated 26 July 2011.

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

(d) On 14 November 2011, Chengtong International Trading, a 55%-owned subsidiary of the Company, entered into a sales contract with 杭州欣融金屬材料有限公司 (unofficial English translation being Hangzhou Silong Metal Material Co., Ltd.) ("Hangzhou Silong") pursuant to which Chengtong International Trading, as seller, has sold, and Hangzhou Silong, as buyer, has purchased 315.333 metric tonnes tin ingots at the price of USD7,200,629.05 (equivalent to approximately HK$56,164,907). Hangzhou Silong was owned by two sisters of the ultimate beneficial owner of the shareholder who owns 45% equity interests of Chengtong International Trading and thus was a connected person of the Company. Therefore, the sales transaction constitutes a connected transaction for the Company under the Listing Rules.

(e) On 19 December 2011, the Board has approved the establishment of 杭州瑞能金屬材料有限公司 (unofficial English translation as Hangzhou Ruineng Metals Co., Ltd.) ("Hangzhou Ruineng") by Chengtong Industrial and杭州善翔金屬材料有限公司 (unofficial English translation as Hangzhou Shanxiang Metals Co., Ltd.) ("JV Partner"). Hangzhou Ruineng is owned by Chengtong Industrial as to 55% and the JV Partner as to 45%. Chengtong Industrial has paid RMB27.5 million (equivalent to HK$33 million) to Hangzhou Ruineng for the subscription of 55% equity capital in Hangzhou Ruineng. The JV Partner is owned as to 90% by an associate of a substantial shareholder of Chengtong International Trading. Under the Listing Rules, the formation of Hangzhou Ruineng with the JV Partner constitutes a connected transaction of the Company. Details of the formation of Hangzhou Ruineng are set out in the Company's announcement 19 December 2011.

The Directors confirm that the related party transactions during the year ended 31 December 2011 as disclosed in note 46(a) in the notes to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules. The Directors confirm that the Company has, where applicable, complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Directors confirm that the related party transactions during the year ended 31 December 2011 as disclosed in note 46(b) and (c) in the notes to the consolidated financial statements do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 24 June 2003, the Company has adopted a share option scheme, details of which are set out in note 40 to the consolidated financial statements. During the year, the Company did not grant any option, nor was there any options outstanding.

SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained sufficient public float as required under the Listing Rules.

FINANCIAL SUMMARY

A summary of the Group's results and its assets and liabilities for the year ended 31 December 2011 and the past four financial years is set out on page 88.

AUDITOR

The consolidated financial statements for the year ended 31 December 2011 have been audited by Deloitte Touche Tohmatsu.

By order of the Board

Zhang Guotong
Chairman

Hong Kong,
12 March 2012

Deloitte.
德勤

TO THE MEMBERS OF CHINA CHENGTONG DEVELOPMENT GROUP LIMITED
中國誠通發展集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Chengtong Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 85, which comprise the consolidated and Company's statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 March 2012

Consolidated Income Statement

For The Year Ended 31 December 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Turnover	7	**419,483**	89,996
Cost of sales		**(358,907)**	(78,672)
Gross profit		**60,576**	11,324
Other income	8	**34,680**	8,914
Selling expenses		**(7,189)**	(2,154)
Administrative expenses		**(42,139)**	(41,636)
Gain on fair value change of investment properties	17	**17,004**	2,760
Gain on fair value change upon properties held for sale transferred to investment properties	17	**20,701**	—
(Loss) gain on fair value change of held-for-trading securities		**(195)**	2,099
Gain on disposals of subsidiaries	45	**18,660**	99,817
Net reversal of provisions for claims	36	**—**	18,076
Impairment of goodwill		**—**	(209)
Finance costs	9	**(26,290)**	(29)
Profit before taxation		**75,808**	98,962
Taxation	10	**(27,589)**	(12,690)
Profit for the year	11	**48,219**	86,272
Profit (loss) for the year attributable to:			
Owners of the Company		**36,381**	87,890
Non-controlling interests		**11,838**	(1,618)
		48,219	86,272
Earnings per share	14		
— Basic		**HK0.87 cents**	HK2.11 cents
— Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2011

	NOTE	2011 HK$'000	2010 HK$'000
Profit for the year	11	**48,219**	86,272
Other comprehensive income			
Exchange differences arising during the year		**53,106**	47,133
Total comprehensive income for the year		**101,325**	133,405
Total comprehensive income attributable to:			
Owners of the Company		**84,073**	130,267
Non-controlling interests		**17,252**	3,138
Total comprehensive income for the year		**101,325**	133,405

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**8,400**	8,047
Investment properties	17	**237,741**	222,784
Restricted bank balance	20	**—**	4,200
Receivable under finance lease arrangement	25	**11,139**	—
		257,280	235,031
Current assets			
Properties under development	21	**251,427**	318,030
Properties held for development	22	**301,133**	291,259
Properties held for sale	21	**152,533**	—
Coal and bulk commodity	23	**74,896**	—
Trade and other receivables	24	**761,363**	67,378
Receivable under finance lease arrangement	25	**11,665**	60,154
Amount due from a non-controlling shareholder of a subsidiary	26	**18,567**	17,958
Entrusted loan receivables	27	**113,714**	—
Held-for-trading securities	28	**1,281**	8,266
Short-term investments	29	**328,404**	—
Restricted bank balance	20	**4,200**	—
Bank balances and cash	30	**948,829**	716,617
		2,968,012	1,479,662
Current liabilities			
Trade and other payables	31	**144,189**	35,525
Deposits received on sale of properties		**14,573**	39,396
Amounts due to related companies	32	**—**	508
Amount due to ultimate holding company	33	**—**	461
Taxation payable		**9,904**	8,663
Bank borrowings	34	**643,937**	47,200
Unsecured other loans	35	**600**	600
Loan from a non-controlling shareholder of a subsidiary	35	**549**	—
		813,752	132,353
Net current assets		**2,154,260**	1,347,309
Total assets less current liabilities		**2,411,540**	1,582,340

At 31 December 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Non-current liabilities			
Deferred tax liabilities	37	**12,953**	1,907
Corporate bonds	38	**721,845**	—
		734,798	1,907
Net assets		**1,676,742**	1,580,433
Capital and reserves			
Share capital	39	**416,346**	417,344
Share premium and reserves		**1,057,647**	1,005,042
Equity attributable to owners of the Company		**1,473,993**	1,422,386
Non-controlling interests		**202,749**	158,047
Total equity		**1,676,742**	1,580,433

The consolidated financial statements on pages 26 to 85 were approved and authorised for issue by the Board of Directors on 12 March 2012 and are signed on its behalf by:

Zhang Guotong
DIRECTOR

Wang Hongxin
DIRECTOR

Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries	18	**1**	—
Amounts due from subsidiaries	18	**679,379**	564,127
		679,380	564,127
Current assets			
Other receivables, prepayments and deposits		**1,347**	1,563
Amounts due from subsidiaries	19	**681,527**	530,267
Bank balances and cash		**413,732**	404
		1,096,606	532,234
Current liabilities			
Other payables		**20,811**	9,636
Net current assets		**1,075,795**	522,598
Total assets less current liabilities		**1,755,175**	1,086,725
Non-current liabilities			
Corporate bonds	38	**721,845**	—
		1,033,330	1,086,725
Capital and reserves			
Share capital	39	**416,346**	417,344
Share premium and reserves	41	**616,984**	669,381
		1,033,330	1,086,725

Zhang Guotong
DIRECTOR

Wang Hongxin
DIRECTOR

Consolidated Statement of Changes In Equity

For The Year Ended 31 December 2011

	Attributable to owners of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Capital reserve** *HK$'000* *(Note (a))*	**Statutory reserve** *HK$'000* *(Note (b))*	**Exchange reserve** *HK$'000*	**Accumulated profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2010	417,344	630,374	402	2,814	—	17,718	224,149	1,292,801	152,003	1,444,804
Profit (loss) for the year	—	—	—	—	—	—	87,890	87,890	(1,618)	86,272
Other comprehensive income	—	—	—	—	—	42,377	—	42,377	4,756	47,133
Total comprehensive income for the year	—	—	—	—	—	42,377	87,890	130,267	3,138	133,405
Acquisition of a subsidiary *(note 44)*	—	—	—	—	—	—	—	—	2,853	2,853
Release and transfer upon disposals of subsidiaries *(note 45(b))*	—	—	—	—	—	(25,526)	25,526	—	(7,393)	(7,393)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	25,688	25,688
Acquisition of additional interests in subsidiaries *(note 43)*	—	—	—	—	—	—	—	—	(18,242)	(18,242)
Difference arising on acquisition of additional interests in subsidiaries *(note 43)*	—	—	—	—	—	—	(682)	(682)	—	(682)
At 31 December 2010	417,344	630,374	402	2,814	—	34,569	336,883	1,422,386	158,047	1,580,433
Profit for the year	—	—	—	—	—	—	36,381	36,381	11,838	48,219
Other comprehensive income	—	—	—	—	—	47,692	—	47,692	5,414	53,106
Total comprehensive income for the year	—	—	—	—	—	47,692	36,381	84,073	17,252	101,325
Dividend paid	—	—	—	—	—	—	(29,214)	(29,214)	—	(29,214)
Transfer	—	—	—	—	6,387	—	(6,387)	—	—	—
Release and transfer upon disposal of a subsidiary *(note 45(a))*	—	—	—	—	—	40	(40)	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	27,450	27,450
Share repurchased and cancelled	(998)	—	998	—	—	—	(3,221)	(3,221)	—	(3,221)
Transaction costs attributable to repurchases of shares	—	—	—	—	—	—	(31)	(31)	—	(31)
At 31 December 2011	416,346	630,374	1,400	2,814	6,387	82,301	334,371	1,473,993	202,749	1,676,742

Notes:

(a) Capital reserve represented the deemed contribution by a substantial shareholder of the Company in 2007 arising from acquisition of a former subsidiary, 洛陽城南中儲物流有限公司 ("洛陽城南"), from a subsidiary of then substantial shareholder of the Company. 洛陽城南 was disposed of in September 2010 (see note 45(b)).

(b) Statutory reserve represents the Group's share of statutory reserves of the subsidiaries in the People's Republic of China (the "PRC"), which is based on 10% profit for the year of these subsidiaries. Such statutory reserve is non-distributable and used to (i) make up prior years' losses or (ii) expand production operations.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2011

	NOTE	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Profit before taxation		**75,808**	98,962
Adjustments for:			
Interest income		**(21,549)**	(6,062)
Interest income from entrusted loan receivables		**(5,210)**	—
Interest expense		**26,290**	29
Depreciation of property, plant and equipment		**1,112**	1,511
Gain on disposals of subsidiaries	45	**(18,660)**	(99,817)
Gain on fair value change of investment properties		**(17,004)**	(2,760)
Gain on fair value change upon properties held for sale transferred to investment properties		**(20,701)**	—
Gain on fair value change of derivative financial instruments		**(2,086)**	—
Loss on fair value change of held-for-trading securities		**219**	297
Net reversal of provisions for claims		**—**	(18,076)
Write-off of other receivable		**—**	393
Impairment of goodwill		**—**	209
Loss on disposal of property, plant and equipment		**—**	4
Reversal of allowance on trade and other receivables		**—**	(115)
Operating cash flows before working capital changes		**18,219**	(25,425)
Increase in properties under development		**(132,474)**	(98,454)
Increase in properties held for development		**—**	(2,954)
Decrease in properties held for sale		**89,812**	11,898
Increase in coal and bulk commodity		**(74,896)**	—
Increase in trade and other receivables		**(716,570)**	(35,556)
Decrease (increase) in receivable under finance lease arrangement		**37,350**	(60,144)
Decrease in held-for-trading securities		**6,766**	5,880
Increase in trade and other payables		**44,848**	41,725
(Decrease) increase in deposits received on sale of properties		**(24,823)**	32,151
Settlement of claims		**—**	(1,569)
Net settlement of derivative financial instruments		**2,086**	—
Cash flows used in operations		**(749,682)**	(132,448)
The PRC Enterprise Income Tax paid		**(13,932)**	(115)
PRC Land appreciation tax paid		**(2,133)**	(150)
Net cash used in operating activities		**(765,747)**	(132,713)

	NOTES	**2011** **HK$'000**	2010 HK$'000
Cash flows from investing activities			
Interest received		**21,549**	6,062
Interest from entrusted loan receivables received		**1,360**	—
Settlement of bill receivables received upon disposal of a subsidiary		**24,780**	—
Disposals of subsidiaries	45	**66,699**	156,960
Purchase of short-term investments		**(328,404)**	—
Increase in entrusted loan receivables		**(109,800)**	—
Advance to an intermediate holding company		**(35,000)**	—
Advance to a fellow subsidiary		**(42,000)**	—
Purchases of property, plant and equipment		**(2,204)**	(1,668)
Acquisition of a subsidiary	44	**—**	(3,178)
Proceeds from disposal of property, plant and equipment		**—**	12
Net proceeds from restructuring	43	**—**	20,693
Repayment from a fellow subsidiary		**42,000**	—
Repayment from an intermediate holding company		**35,000**	1,742
Repayment from a non-controlling shareholder of a subsidiary		**—**	6,629
Net cash (used in) from investing activities		**(326,020)**	187,252
Cash flows from financing activities			
Interest paid		**(22,969)**	(2,781)
Dividend paid		**(29,214)**	—
Net proceeds from corporate bonds	38	**707,522**	—
Cash flows from discounted bills with recourse		**595,137**	—
New bank loans raised		**48,800**	47,200
Capital contribution from a non-controlling shareholder of subsidiaries		**27,450**	25,688
Deposit received from a buyer on a partial disposal of a subsidiary		**12,200**	—
Advance from a non-controlling shareholder of a subsidiary		**549**	—
(Repayment to) advance from ultimate holding company		**(461)**	461
(Repayment to) advance from related companies		**(508)**	134
Payment on repurchase of shares		**(3,252)**	—
Repayment of bank loans		**(47,200)**	(45,600)
Net cash generated from financing activities		**1,288,054**	25,102
Net increase in cash and cash equivalents		**196,287**	79,641
Cash and cash equivalents at beginning of year		**716,617**	617,649
Effect of foreign exchange rate changes		**35,925**	19,327
Cash and cash equivalents at end of year, representing bank balances and cash		**948,829**	716,617

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company regard the ultimate and immediate holding company as at 31 December 2011 to be China Chengtong Holdings Group Limited ("CCHG") and World Gain Holdings Limited respectively. The holding companies are established in the PRC and the British Virgin Islands ("BVI") respectively. The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 18.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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

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

HKAS 24 (Revised) requires retrospective application. The application of HKAS 24 (Revised) has had no effect on the amounts recognised or recorded in the consolidated financial statements for the current and prior periods. The related party disclosures are set out in note 46.

New and revised HKFRSs issued but not yet effective

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2011.

[2] Effective for annual periods beginning on or after 1 January 2013.

[3] Effective for annual periods beginning on or after 1 January 2015.

[4] Effective for annual periods beginning on or after 1 January 2012.

[5] Effective for annual periods beginning on or after 1 July 2012.

[6] Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

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

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

Amendments to HKFRS 7 Disclosures: Transfers of financial assets

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

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

HKFRS 13 Fair value measurement

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair value measurement *(Continued)*

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable on the basis specified in another Standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less accumulated impairment losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has passed at which time all the following conditions are satisfied.

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of properties in the ordinary course of business is recognised upon delivery of properties to the purchasers pursuant to the sales agreements. Deposits received from the purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income, including rentals invoiced in advance from properties lent under operating leases, is recognised on a straight-line basis over the term of the leases.

Commission income arising from provision of procurement services is recognised when the goods are delivered and title is passed to customers.

Service income is recognised when services are provided.

Handling income which constitutes initial direct costs directly attributable to negotiating and arranging a finance lease is included in the receivable under finance lease at initial recognition and amortised over the lease term as finance lease income (see accounting policy on leasing below). When the Group derecognised the receivable under finance lease after the relevant receivable is transferred to a bank under a non-recourse factoring arrangement, any unamortised portion of the handling income included in the receivable under finance lease is recognised as handling income in profit or loss at the same time the Group derecognised the receivable under finance lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regard as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the assets and is recognised in the profit or loss.

Properties held for sale, properties held for development and properties under development

Properties held for sale, properties held for development and properties under development are stated at the lower of cost and net realisable value. Cost comprises the cost of the land together with direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development. Properties held for development represented properties which has not yet commenced development and mainly comprises with leasehold land before commencement of construction. Properties under development comprise leasehold land and certain construction costs.

Transfer from properties held for sale to investment properties carried at fair value

The Group transfers a property held for sale to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories which consist of trading goods of coal are stated at the lower of cost and net realisable value. Cost is determined on the actual cost basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income (including handling income) is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, are accounted for as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purchase of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL mainly represent financial assets held for trading (including held-for-trading securities and bulk commodity contracts).

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries/a non-controlling shareholder of a subsidiary, entrusted loan receivables, short-term investments, restricted bank balance and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period granted and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of an impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's the original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or receive that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies/ultimate holding company, bank borrowings, unsecured other loans, loan from a non-controlling shareholder of a subsidiary and corporate bonds are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets (including loans and receivables and finance lease receivables) are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

Finance lease receivables are derecognised when the Group entered into a finance lease receivable factoring arrangement with a bank and all the following conditions are satisfied:

- The Group transfers the contractual rights to receive cash flow from the finance lease receivables to a bank or the Group retains the contractual rights to receive the cash flows of the finance lease receivable, but assumes a contractual obligation to pay the cash flows to the bank in an arrangement;
- The Group has no obligation to pay amounts to the bank unless it collects equivalent amounts from the original asset;
- The Group is prohibited by the terms of the transfer contract (the finance lease receivable factoring arrangement) from selling or pledging the original asset other than as a security to the bank for the obligation to pay them cash flows;
- The Group has an obligation to remit any cash flows it collects on behalf of the bank without material delay; and
- The Group transfers substantially all the risks and rewards of ownership of the finance lease receivable.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the accumulative gains or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

If the transfer of a loan and receivable/finance lease receivable does not qualify for derecognition when the Group entered into a factoring arrangement with a bank, the Group continue to recognise the loan and receivable/finance lease receivable in its entirety and recognise the obligation arising from factoring of the loan and receivable/finance lease receivable as a liability.

The Group derecognises financial liabilities, when and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measure using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Retirement benefits costs

Payments to the defined contribution retirement benefits schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application the Group's accounting policies, which are described in note 3, management of the Group has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is set out below.

Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Estimated net realisable value on properties under development

In determining whether allowances should be made for the Group's properties under development, the Group takes into consideration the current market environment and the estimated market value less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount of the properties under development is HK$251,427,000 (2010: HK$318,030,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated net realisable value for properties held for sale

Management exercises its judgment in making allowance for properties held for sale with reference to the existing market environment, the sales performance in previous years and estimated market value of the properties, i.e. the estimated selling price less estimated costs of selling. A specific allowance for stocks of completed properties is made based on the estimation of net realisable value on the completed properties if the estimated market value of the property is lower than its carrying amount. If the actual net realisable values of the stocks of completed properties are less than expected as a result of change in market condition, material provision for impairment losses may result. The carrying amount of the properties held for sale is HK$152,533,000 (2010: nil).

Estimated impairment of trade and other receivables and entrusted loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2011, the carrying amounts of (i) trade and other receivables is HK$761,363,000 (net of allowance for doubtful debts of HK$227,000) (2010: HK$67,378,000 (net of allowance for doubtful debts of HK$227,000)); (ii) entrusted loan receivables is HK$113,714,000 (2010: nil) respectively.

Estimated impairment of receivable under finance lease arrangement

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows and fair value of the pledged assets less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the pledged assets less cost to sell. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

As at 31 December 2011, the carrying amount of receivable under finance lease arrangement is HK$22,804,000 (2010: HK$60,154,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and corporate bonds disclosed in notes 34 and 38, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	**58,076**	8,266
Loans and receivables (including cash and cash equivalents)	**2,112,740**	803,734
Receivable under finance lease arrangement	**22,804**	60,154
Financial liabilities		
Amortised costs	**1,441,500**	63,919

	THE COMPANY	
	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,775,263**	1,095,647
Financial liabilities		
Amortised costs	**726,298**	997

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include restricted bank balance, trade and other receivables, receivable under finance lease arrangement, amount due from a non-controlling shareholder of a subsidiary, entrusted loan receivables, bulk commodity, short-term investments, bank balances and cash, trade and other payables, amounts due to related companies/ultimate holding company, bank borrowings, unsecured other loans, loan from a non-controlling shareholder of a subsidiary and corporate bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including currency risk, other price risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The subsidiary which engages in bulk commodity trade has foreign currency transactions, which expose the Group to foreign currency risk. Except for the following, the Company and its subsidiaries do not have significant financial assets or financial liabilities denominated in currencies other than their functional currencies at the end of the reporting period.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at 31 December 2011 and 2010 are as follows:

	THE GROUP			
	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars ("USD")	**87,809**	—	**56,165**	—

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Sensitivity analysis

The functional currency of major subsidiaries of the Group is RMB. The Group is mainly exposed to currency risk of USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the exchange rate between RMB and USD. The sensitivity analysis includes only outstanding USD denominated monetary items and adjusts their translation at the year end for a 5% change in exchange rates. The analysis illustrates the impact for a 5% strengthening of RMB against the USD and a negative number below indicates a decrease in post-tax profit. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the post-tax profit.

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Decrease in profit for the year	**(1,187)**	—

Other price risk

The Group's held-for-trading securities in listed securities are measured at fair value at the end of each reporting date with reference to the quoted prices. Therefore, the Group is exposed to equity price risk and the management of the Group will monitor the price movements and take appropriate actions when it is required. The exposure of the equity risk is minimal and no sensitivity to equity price risk is provided.

The Group is exposed to price movements of its bulk commodity contracts entered into held by the Group and the Group has developed a team to closely monitor the fluctuation in commodity market and managed such commodity price risk by shortening the timing difference of sale and purchase transactions.

Sensitivity analysis

Bulk commodity represents aluminum purchased as at 31 December 2011. The Group is exposed to the risk of fluctuations in the market price of aluminum prevailing from time to time. The sensitivity analysis has been determined based on fluctuation in aluminum price. A 5% (2010: nil) increase or decrease is used which represents management's assessment if the reasonably possible change in aluminum price.

If the aluminum price has been 5% (2010: nil) higher/lower and all other variables were held constant, the post-tax profit would increase/decrease by approximately HK$2,130,000 (2010: nil).

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable rate bank balances, receivable under finance lease arrangement, short-term investments and short-term bank loans. The fair value interest rate risk relates primarily to the Group's fixed rate entrusted loan receivables, discounted bills with recourse and corporate bonds. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and short-term investments. The directors consider the Group's exposure of the short-term bank deposits and short-term investments with original maturity of less than three months and their interest rate risk is not significant as interest bearing bank balances and short-term investments are within short maturity period and thus it is not included in sensitivity analysis.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates after considering the impact of the interest expenses being capitalised as properties under development at the end of the reporting period. A 50 basis points (2010: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest bearing receivable under finance lease arrangement had been 50 basis points (2010: 50 basis points) higher/lower and all of other variables were held constant, the post-tax profit would increase/decrease by approximately HK$86,000 (2010: nil).

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, receivable under finance lease arrangement, entrusted loan receivables, amount due from a non-controlling shareholder of a subsidiary, short-term investments and bank balances. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade and other receivables, receivable under finance lease arrangement, entrusted loan receivables, amount due from a non-controlling shareholder of a subsidiary, short-term investments and bank balances at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Before accepting any new finance lease lessee or entrusted loan borrower, the Group assesses the credit quality of each potential finance lease lessee or entrusted loan borrower and defined limits for each finance lease lessee or entrusted loan borrower. The Group also demands certain finance lease lessee and entrusted loan borrower to provide corporate guarantees from third parties or land and building as collateral to the Group at the time the finance lease arrangement or entrusted loan agreement is entered into. In addition, the Group has reviewed the repayment history of finance lease payments from each finance lease lessee with reference to the repayment schedule from the date of finance lease receivable and the Group has also assessed the financial ability of the entrusted loan borrowers to determine the recoverability of the finance lease receivables and entrusted loan receivables.

The credit risk on liquid funds is limited because the counterparties are mainly banks with high credit-rating or with good reputation.

As at 31 December 2011, the Group has concentration of credit risk with (a) major customers from (i) trading of coal, with amount of two trade receivables of HK$83,794,000 (2010: a trade receivable of HK$37,076,000), (ii) financial leasing, with amount of receivable under finance lease arrangement of HK$22,804,000 (2010: HK$60,154,000); and (b) two entrusted loan receivables of HK$113,714,000 (2010: nil). To monitor the credit risk exposure, the management of the Group has reviewed the recoverability of each debtors periodically.

The Group carried out bulk commodity trade business involving purchase and sale transactions. The Group sold the commodity in a short period of time after purchase to generate a profit. Bulk commodity trade business involves five suppliers and three customers. 73% of sales of bulk commodity are attributable to a single customer. This concentration risk are addressed by individual counterparty analysis carried out by the management and are monitored on an ongoing basis. In order to monitor the credit risk, most sales are settled by bills issued by stated-owned banks or commercial banks in PRC and are receivable after 3 months to 1 year from the date of issuance. Most bill receivables have been discounted to banks with recourse (see note 34).

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

As at 31 December 2011, the Group has concentration of credit risk with bill receivables from bulk commodity trade issued from four (2010: nil) PRC banks. The credit risk on the bill receivables is limited because the counterparties are mainly banks with high credit-rating or with good reputation.

As at 31 December 2011, the Group has three short-term investments which represent investments in treasury bills and commercial papers of certain corporations and banks in the PRC. The credit risk on these short-term investments is insignificant as the counterparties are banks with high credit-rating or with good reputation.

At 31 December 2011, the Company also has significant concentration of credit risk which has an amount of HK$1,360,906,000 (2010: HK$1,094,394,000) due from a number of subsidiaries. The directors of the Company has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank loans and ensures compliance with loan covenants.

Liquidity table

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

At 31 December 2011

	THE GROUP				
	Weighted average interest rate per annum %	Within 1 year HK$'000	1 to 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
Trade and other payables	—	74,569	—	74,569	74,569
Bank borrowings	3.51	662,824	—	662,824	643,937
Unsecured other loans	—	600	—	600	600
Corporate bonds	4.50	32,940	781,410	814,350	721,845
Loan from a non-controlling shareholder of a subsidiary	—	549	—	549	549
		771,482	781,410	1,552,892	1,441,500

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

At 31 December 2011 *(Continued)*

	THE COMPANY				
	Weighted average interest rate per annum	**Within 1 year**	**1 to 3 years**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2011**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Other payable	**—**	**4,453**	**—**	**4,453**	**4,453**
Corporate bonds	**4.50**	**32,940**	**781,410**	**814,350**	**721,845**
		37,393	**781,410**	**818,803**	**726,298**

At 31 December 2010

	THE GROUP			
	Weighted average interest rate per annum	Within 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	—	15,150	15,150	15,150
Amounts due to related companies	—	508	508	508
Amount due to ultimate holding company	—	461	461	461
Bank borrowings	5.81	49,942	49,942	47,200
Unsecured other loans	—	600	600	600
		66,661	66,661	63,919

	THE COMPANY			
	Weighted average interest rate per annum	Within 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	—	997	997	997

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets include listed equity securities and bulk commodity with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Group's and the Company's financial statements approximates their fair values.

Fair value measurements recognised in the consolidated statement of financial position

An analysis of financial instruments that are measured subsequent to initial recognised at fair value, are classified as Level 1 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.

At 31 December 2011, the listed equity securities and bulk commodity which grouped into Level 1 was amounting to HK$58,076,000 (2010: HK$8,266,000).

There is no transfer/reclassification outside Level 1 in both years.

7. SEGMENT INFORMATION

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

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

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

(1) Property development - holding land for property development projects;

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

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

(4) Trading of Coal - trading of coal in the PRC; and

(5) Bulk commodity trade - trading of bulk commodity in Hong Kong and the PRC.

7. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2011

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

Notes:

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

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2010

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

Notes:

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

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

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2011 *HK$'000*	2010 *HK$'000*
Segment assets		
Property investment	**476,662**	550,215
Property development	**940,605**	730,888
Financial leasing	**527,279**	344,797
Trading of coal	**113,939**	59,299
Bulk commodity trade	**742,486**	—
Total segment assets	**2,800,971**	1,685,199
Unallocated		
— other unallocated assets	**7,302**	14,434
— bank balances and cash	**417,019**	15,060
Consolidated assets	**3,225,292**	1,714,693
Segment liabilities		
Property investment	**19,739**	16,092
Property development	**128,167**	100,865
Financial leasing	**2,747**	548
Trading of coal	**46,381**	157
Bulk commodity trade	**600,463**	—
Total segment liabilities	**797,497**	117,662
Corporate bonds	**721,845**	—
Deposit received from a buyer on a partial disposal of a subsidiary	**12,200**	—
Unallocated	**17,008**	16,598
Consolidated liabilities	**1,548,550**	134,260

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than held-for-trading securities, restricted bank balance, assets held by head office and the inactive subsidiaries (including other receivables and bank balances and cash); and
- all liabilities are allocated to reportable segments other than corporate bonds, liabilities incurred by head office and the inactive subsidiaries (including trade and other payables, unsecured other loans and deferred taxation).

For the year ended 31 December 2011

Amounts included in the measure of segment assets:

	Property investment HK$'000	Property development HK$'000	Financial leasing HK$'000	Trading of coal HK$'000	Bulk commodity trade HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets excluding financial instruments	**950**	**26**	**524**	**28**	**654**	**22**	**2,204**

For the year ended 31 December 2010

Amounts included in the measure of segment assets:

	Property investment HK$'000	Property development HK$'000	Financial leasing HK$'000	Trading of coal HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets excluding financial instruments	974	668	14	6	6	1,668

Other segment information

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

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

7. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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

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

Notes:

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

Turnover from major products and services

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

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

8. OTHER INCOME

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

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

9. FINANCE COSTS

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

Note: The amount represents the borrowing costs that directly attributable to the properties under development (see note 21).

10. TAXATION

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

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

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

10. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2011 HK$'000	2010 HK$'000
Profit before taxation	75,808	98,962
Domestic tax at the PRC EIT rate of 25% (2010: 25%)	18,952	24,741
Effect of different tax rates of subsidiaries operating in jurisdictions other than the PRC	(1,905)	—
PRC land appreciation tax	712	—
Tax effect of expenses not deductible for tax purposes	7,471	1,067
Tax effect of income not taxable for tax purposes	(2,081)	(4,035)
Tax effect of tax losses not recognised	4,151	6,492
Tax effect of temporary differences not recognised	—	(11,169)
Utilisation of tax losses previously not recognised	(1,123)	(2,955)
Utilisation of temporary differences previously not recognised	—	(2,650)
Withholding tax for undistributed profits of PRC subsidiaries	1,375	1,199
Underprovision in prior year	37	—
Taxation charge	27,589	12,690

The domestic tax rate is 25% for both years as the major profit making subsidiaries of the Group are located in the PRC.

11. PROFIT FOR THE YEAR

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

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2010: 9) directors were as follows:

For the year ended 31 December 2011

	Zhang Guotong *HK'000*	Yuan Shaoli (appointed on 9.3.2011) *HK$'000*	Wang Hongxin *HK$'000*	Wang Tianlin *HK$'000*	Kwong Che Keung, Gordon *HK$'000*	Tsui Yiu Wa, Alec *HK$'000*	Ba Shusong *HK$'000*	Xu Zhen (retired on 23.5.2011) *HK$'000* *(Note (a))*	Gu Laiyun (retired on 23.5.2011) *HK$'000* *(Note (a))*	Total 2011 *HK$'000*
Fees	360	195	240	240	360	360	240	—	—	1,995
Salaries	966	299	748	362	—	—	—	—	—	2,375
Performance-based bonus *(Note b)*	300	—	250	329	—	—	—	—	—	879
Contributions to retirement benefits schemes	16	19	15	38	—	—	—	—	—	88
Total emoluments	1,642	513	1,253	969	360	360	240	—	—	5,337

For the year ended 31 December 2010

	Zhang Guotong *HK'000*	Wang Hongxin *HK$'000*	Wang Tianlin *HK$'000*	Kwong Che Keung, Gordon *HK$'000*	Tsui Yiu Wa, Alec *HK$'000*	Ba Shusong *HK$'000*	Xu Zhen *HK$'000*	Gu Laiyun *HK$'000*	Lao Youan (retired on 9.6.2010) *HK$'000*	Total 2010 *HK$'000*
Fees	360	240	240	360	360	240	240	240	106	2,386
Salaries	841	650	309	—	—	—	—	—	—	1,800
Performance-based bonus *(Note b)*	250	300	200	—	—	—	—	—	—	750
Contributions to retirement benefits schemes	54	48	33	—	—	—	—	—	—	135
Total emoluments	1,505	1,238	782	360	360	240	240	240	106	5,071

Notes: (a) During the year ended 31 December 2011, two directors waived emoluments totalling of approximately HK$188,000. None of the directors waived any emoluments for the year ended 31 December 2010.

(b) The performance-based bonus is determined according to the performance of each individual director of the Group for the relevant years by remuneration committee.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2010: three) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining two (2010: two) individuals were as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Salaries and other benefits	**1,474**	1,237
Performance-based bonus	**258**	343
Contributions to retirement benefits schemes	**42**	79
	1,774	1,659

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

Emoluments of each of the highest paid individuals were within the following band:

	2011 Number of employees	2010 Number of employees
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	1	—
	2	2

During the years ended 31 December 2011 and 2010, no remunerations were paid by the Group to the directors or the two (2010: two) highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

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

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

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

14. EARNINGS PER SHARE

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

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

15. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. All employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme, whereas all new Hong Kong employees joining the Group after December 2000 are required to join the MPF Scheme. The Group contributes 5%, with upper limit, of relevant payroll costs for each employee to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute 13% to 20% (2010: 19% to 20%) of payroll costs, with upper limit for each employee, to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended 31 December 2011, contributions totalling of HK$1,007,000 (2010: HK$1,137,000) were paid by the Group.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Furniture and equipment HK$'000	Motor vehicles HK$'000	Facilities HK$'000	Total HK$'000
COST				
At 1 January 2010	13,637	5,218	3,121	21,976
Currency realignment	78	153	110	341
Additions	285	1,383	—	1,668
Disposal of subsidiaries	(10,148)	(268)	—	(10,416)
Disposals	(12)	(957)	—	(969)
At 31 December 2010	3,840	5,529	3,231	12,600
Currency realignment	39	187	110	336
Additions	1,400	804	—	2,204
Disposal of a subsidiary	(637)	(290)	—	(927)
Disposals	(35)	—	—	(35)
At 31 December 2011	4,607	6,230	3,341	14,178
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2010	11,905	1,493	24	13,422
Currency realignment	49	31	5	85
Provided for the year	895	580	158	1,633
Eliminated on disposal of subsidiaries	(9,608)	(26)	—	(9,634)
Eliminated on disposals	—	(953)	—	(953)
At 31 December 2010	3,241	1,125	187	4,553
Currency realignment	26	50	9	85
Provided for the year	296	791	165	1,252
Eliminated on disposal of a subsidiary	(51)	(26)	—	(77)
Eliminated on disposals	(35)	—	—	(35)
At 31 December 2011	3,477	1,940	361	5,778
CARRYING AMOUNTS				
At 31 December 2011	1,130	4,290	2,980	8,400
At 31 December 2010	599	4,404	3,044	8,047

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and equipment	10% to 33%
Motor vehicles	12.5% to 33%
Facilities	5%

17. INVESTMENT PROPERTIES

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	**222,784**	251,256
Currency realignment	**8,453**	8,208
Gain on change in fair value recognised in profit or loss	**17,004**	2,760
Disposal of a subsidiary *(Note 45)*	**(47,580)**	(39,440)
Reclassified from properties held for sale	**37,080**	—
At 31 December	**237,741**	222,784

The carrying amount of investment properties shown above represents land and properties situated in the PRC held under medium-term lease and long lease.

The fair values of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location.

Properties held for sale were transferred to investment properties when there were commencement of operating leases to another party. The difference between the fair value of the property and the carrying amount at the date of transfer amounted to HK$20,701,000 is recognised in profit or loss.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

18. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,001**	1,000
Less: Impairment loss	**(1,000)**	(1,000)
	1	—
Amounts due from subsidiaries	**679,379**	564,127

18. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Included in the amounts due from subsidiaries of a loan of RMB150,000,000 (equivalent to approximately HK$183,000,000) which is repayable on or before February 2014 and is unsecured and interest-free. The remaining balances of amounts due from subsidiaries form part of the Company's net investment in the subsidiaries and are unsecured, interest-free and settlement is neither planned or likely to occur in the foreseeable future.

Particulars of the principal subsidiaries at 31 December 2011 and 2010 are as follows:

Company	Place of incorporation/ operations	Total paid-up and issued ordinary share/ registered capital 2011	2010	Equity interest owned by the Company 2011 %	2010 %	Principal activities
Directly held:						
Galactic Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	2 ordinary shares of HK$1 each	100	100	Investment holding
Key Asset Limited	Hong Kong	100 ordinary shares of HK$1 each	100 ordinary shares of HK$1 each	100	100	Investment holding
Indirectly held:						
Price Sales Limited	Hong Kong	10,000 ordinary shares of HK$1 each	10,000 ordinary shares of HK$1 each	100	100	Investment holding
Chengtong Development International Trading Limited	Hong Kong	500 ordinary shares of HK$1 each	N/A	55	N/A	Bulk commodity trade
鳳凰置地**	PRC	RMB50,000,000	RMB50,000,000	100	100	Property development
誠通實業投資有限公司（"誠通實業"）**	PRC	RMB268,000,000	RMB268,000,000	100	100	Property investment and bulk commodity trade
誠通大豐海港開發有限公司（"大豐開發"）*	PRC	RMB150,000,001	RMB150,000,001	66.67	66.67	Property development
誠通融資租賃有限公司**	PRC	USD40,000,000/ USD40,000,000	USD36,000,000/ USD40,000,000	100	100	Financial leasing
大豐瑞能燃料有限公司**（"Dafeng Ruineng"）*(note)*	PRC	RMB50,000,000	RMB50,000,000	34	34	Trading of coal
杭州瑞能金屬材料有限公司**	PRC	RMB50,000,000	N/A	55	N/A	Bulk commodity trade
桂林誠通置業管理有限公司**#（"桂林誠通"）	PRC	N/A	RMB2,000,000	N/A	100	Property investment and property management

* The subsidiary was established in the PRC as a sino-foreign equity joint venture enterprise.

** A limited liability company established in the PRC.

Subsidiary was disposed of during 2011.

Note: 大豐開發 has hold directly 51% interest of Dafeng Ruineng. The effective interest held by the Group is 34%. Since the Group has the right to control both of them to govern their financial and operating policies so as to obtain benefits from their activities. Dafeng Ruineng is a subsidiary of the Group.

18. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2011 and 2010 or at any time during the year.

19. AMOUNTS DUE FROM SUBSIDIARIES

Except for a loan of RMB50,000,000 (equivalent to approximately HK$61,000,000) which carries fixed interest at 5% per annum and is unsecured and repayable in January 2012, the remaining balances of amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The directors of the Company expected the amounts due from subsidiaries will be settled within one year from the end of the reporting period.

20. RESTRICTED BANK BALANCE

Pursuant to the order of the High Court of the Hong Kong Special Administrative Region (the "High Court") dated 20 June 2006 confirming the cancellation of the entire sum standing to the credit of the share premium account of the Company as at 31 December 2004 and set off with the accumulated loss of the Company as at 31 December 2004 (the "Capital Reduction") which became effective on 21 June 2006 (the "Effective Date"), a sum of HK$4,200,000 ("Trust Fund") was deposited on 20 June 2006 into a new and segregated bank deposit account designated "CCDG Capital Reduction Account" ("Trust Account") in the name of Key Asset Limited (a wholly owned subsidiary of the Company) ("Trustee") as trustee for the benefit of those creditors of the Company who have not given their consents to the Capital Reduction as at the Effective Date ("Non-consenting Creditors"). In relation to the said trust, it is undertaken by the Company and the Trustee that: (a) the Company will procure the Trustee to apply the Trust Fund for the sole and exclusive purpose of paying the Non-consenting Creditors in discharge, satisfaction or settlement of their projected claims on the Effective Date ("Pre-Capital Reduction Claims"); (b) in the event that any Non-consenting Creditors shall give its consent to the Capital Reduction subsequent to the Effective Date, the amount of the Trust Fund shall be reduced by the relevant Pre-Capital Reduction Claims from the said Non-consenting Creditors(s) and the Trustee shall be at liberty to transfer the amount of any such reduction(s) to the other bank accounts of the Company and the same shall become available for working capital or any other general uses of the Company; (c) the Trustee shall maintain to the credit of the Trust Account a cash balance of not less than the aggregate Pre-Capital Reduction Claims from the remaining Non-consenting Creditors outstanding at any time whilst the Trust Account remains operated; (d) the Company and the Trustee shall maintain the Trust Account for a period of six years from the Effective Date unless it is terminated earlier upon the happening of any of the following events, i.e., (aa) all the Pre-Capital Reduction Claims shall have been paid, satisfied, settled or otherwise extinguished; (bb) the remaining Non-consenting Creditors shall subsequently give their consents to the Capital Reduction; (cc) any period of limitation in respect of the remaining Pre-Capital Reduction Claims shall have expired; or (dd) such earlier date as the High Court shall direct upon application by the Company.

Restricted bank balance carries interest at market rate of 0.002% (2010: at 0.002%) per annum.

Pursuant to the order of the High Court dated 20 June 2006, the period for maintaining the Trust Account will end on 20 June 2012 and the amount in the Trust Account is therefore classified as current asset as at 31 December 2011.

21. PROPERTIES HELD FOR SALE/PROPERTIES UNDER DEVELOPMENT

Properties held under development comprise leasehold land and certain construction costs in the PRC under medium-term lease for commercial use and long lease for residential use. The amount is expected to be recovered within the Group's operating cycle, thus, it is classified as current assets even if it is expected to be recovered after twelve months from the end of the reporting period (2010: HK$269,300,000 was expected to be recovered after twelve months from the end of the reporting period).

Upon completion of construction works, completed properties under development were transferred to properties held for sale.

22. PROPERTIES HELD FOR DEVELOPMENT

The properties held for development mainly comprises leasehold land in the PRC under medium-term and long leases without commencement of construction works. The amount is expected to be recovered within the normal operating cycle and it therefore classified as current assets.

23. COAL AND BULK COMMODITY

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Coal - stated at cost	**18,101**	—
Bulk commodity	**56,795**	—

Bulk commodity representing metal traded in open market is carried at fair value based on the market information at the end of the reporting period.

24. TRADE AND OTHER RECEIVABLES

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

Notes:

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

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

	2011	2010
	HK$'000	*HK$'000*
Within one month	**83,794**	—
Two to three months	**—**	37,076
	83,794	37,076

24. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) *(Continued)*

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

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

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

At 31 December 2011, most banker's acceptances have been discounted to the banks with recourse. Accordingly, the Group continues to include these discounted banker's acceptances under bills receivables and has recognised the cash received as bank borrowings (see note 34).

Movement in the allowance for doubtful debts

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**227**	12,124
Currency realignment	**—**	8
Amounts recovered during the year	**—**	(115)
Eliminated upon disposal of subsidiaries	**—**	(11,790)
At 31 December	**227**	227

Included in the allowance for doubtful debts are individually impaired trade and receivables with an aggregate balance of HK$227,000 (2010: HK$227,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Included in trade and other receivables are the following amount denominate in currency other than functional currency of the group entities:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
USD	**56,165**	—

(b) As at 31 December 2011, the balances included prepayment for purchases of bulk commodity trade amounted to HK$60,609,000 (2010: nil).

(c) As at 31 December 2010, bill receivable received represented the unsettled consideration receivable upon disposal of the subsidiary, 諸城泰豐置地有限公司("泰豐置地"). The amount was received in full during the year ended 31 December 2011.

25. RECEIVABLE UNDER FINANCE LEASE ARRANGEMENT

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

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

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

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

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

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

26. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due from a non-controlling shareholder of a subsidiary is unsecured, repayable on demand and bears interest at 7.98% (2010: 7.02%) per annum, which is 120% of the benchmark rate offered by the People's Bank of China.

27. ENTRUSTED LOAN RECEIVABLES

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

	2011	2010
	HK$'000	*HK$'000*
Entrusted loan receivables:		
Principal	**109,800**	—
Interest receivables	**3,914**	—
	113,714	—
Within one year	**113,714**	—

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

Effective interest rates (which are equal to contractual interest rates) of the Group's entrusted loan receivables are 15% and 18% (2010: nil).

As at 31 December 2011, no entrusted loan receivables have been past due or impaired. The entrusted loan receivables are mainly secured by land and building/properties held for sale and personal guarantees provided by the specified borrowers or their related parties. The Group is not permitted to sell or repledge the collateral in the absence of default by the entrusted loan borrowers.

All the Group's entrusted loan receivables are denominated in Renminbi ("RMB"), the functional currency of the relevant group entities.

28. HELD-FOR-TRADING SECURITIES

	2011	2010
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**1,281**	8,266

29. SHORT-TERM INVESTMENTS

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

30. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry at fixed interest rates.

Bank balances deposited in Hong Kong banks carry interest at market rates which range from 0.01% to 0.9% (2010: from 0.01% to 0.52%) per annum.

Bank balances deposited in PRC banks carry interest at benchmark rate offered by the People's Bank of China.

Bank balances and cash held by the Group's PRC subsidiaries amounting to HK$488,754,000 (2010: HK$701,560,000) were denominated in RMB which is not a freely convertible currency in the international market. The RMB exchange rate is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Included in bank balances and cash are the following amount denominate in currency other than functional currency of the group entities:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
USD	**31,644**	—

31. TRADE AND OTHER PAYABLES

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**56,898**	1,436
Other payables and accruals	**27,119**	27,668
Deposit received from a buyer on a partial disposal of a subsidiary *(note (b))*	**12,200**	—
Accrual of construction costs	**47,972**	6,421
	144,189	35,525

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:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**56,898**	1,436

(b) On 19 December 2011, the Group has entered into an agreement with an independent third party to sell 12% interest in a subsidiary, Chengtong Enterprise Investment Limited ("CT Enterprise") after the Group completed the reorganisation as detailed in the Company's announcement dated 20 December 2011.

Upon the completion of the reorganisation, CT Enterprise will hold indirectly 100% interest in 誠通實業, 鳳凰置地 and 常州誠通投資有限公司("常州誠通"). 常州誠通 is newly incorporated and remained inactive during 2011. During the year ended 31 December 2011, the Group received a deposit from the buyer of RMB10,000,000 (equivalent to HK$12,200,000). The transaction has not yet completed up to the date of issuance of these consolidated financial statements. Upon the completion, the Group will still retain control over these subsidiaries.

32. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies represented the balances due to the subsidiaries of the ultimate holding company. These balances were unsecured, interest-free and repayable on demand. The amounts were fully settled during the year ended 31 December 2011.

33. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company was unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2011.

34. BANK BORROWINGS

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Secured bank borrowings		
Discounted bills with recourse *(note 24)*	**595,137**	—
Short-term bank loans	**48,800**	47,200
	643,937	47,200

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

Short-term bank loans are used for financing the property development projects held by the Group. As at 31 December 2011, the bank loans of HK$48,800,000 (2010: HK$47,200,000) are secured by the land use right included in property held for development amounting to approximately HK$108,580,000 (2010: HK$105,020,000) and carry interest of approximately 7.216% per annum (2010: carried interest rate at 5.81% per annum), which are 110% (2010: 100%) of the benchmark rate offered by the People's Bank of China.

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

Included in bank borrowings are the following amount denominate in currency other than functional currency of the group entities:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
USD	**56,165**	—

35. UNSECURED OTHER LOANS/LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Unsecured other loans from third parties and loan from a non-controlling shareholder of a subsidiary is unsecured, repayable on demand and interest-free.

36. PROVISIONS FOR CLAIMS

Provisions for claims represented the provision for several legal cases of a wholly-owned subsidiary of the Group, 中實投資有限責任公司 ("Zhongshi"). Upon reaching settlements with counterparties and the disposal of Zhongshi by the Group in December 2010, all the claim recoverable and provisions for claims were derecognised by the Group upon the completion of the disposal of Zhongshi. Reversal of provision claims amounting to HK$ 18,076,000 was charged to profit or loss during the year ended 31 December 2010.

37. DEFERRED TAX LIABILITIES

THE GROUP

The followings are the major deferred tax liabilities and movement thereon during the current and prior years:

	Revaluation of properties *HK$'000*	Undistributed profits of PRC subsidiaries *HK$'000*	Total *HK$'000*
At 1 January 2010	718	—	718
Charge to profit or loss	690	1,199	1,889
Disposal of a subsidiary	(724)	—	(724)
Exchange differences	24	—	24
At 31 December 2010	708	1,199	1,907
Charge to profit or loss	9,426	1,375	10,801
Exchange differences	181	64	245
At 31 December 2011	10,315	2,638	12,953

The Group has tax losses not recognised in the consolidated financial statements as follows:

	THE GROUP	
	2011 ***HK$'000***	2010 *HK$'000*
Tax losses	**99,485**	119,845

No deferred tax asset in respect of the abovementioned tax losses has been recognised due to unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK$7,890,000 (2010: HK$10,743,000) that will expire in the coming five years, other tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities to a non-PRC holding company from 1 January 2008 onwards.

THE COMPANY

At 31 December 2011, the Company has unused tax losses of HK$54,774,000 (2010: HK$73,849,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely.

38. CORPORATE BONDS

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

	THE GROUP AND THE COMPANY	
	2011	2010
	HK$'000	*HK$'000*
Corporate bonds	**721,845**	—

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

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

39. SHARE CAPITAL

	2011		2010	
	Number of shares	**Amount**	Number of shares	Amount
	'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**	6,000,000	600,000
Issued and fully paid:				
At 1 January	**4,173,434**	**417,344**	4,173,434	417,344
Share repurchased and cancelled	**(9,982)**	**(998)**	—	—
At 31 December	**4,163,452**	**416,346**	4,173,434	417,344

All shares issued during the year rank pari passu with other shares in issue in all respects.

During the year ended 31 December 2011, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	**Number of ordinary shares of HK$0.1 each**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
September	5,500,000	0.340	0.305	1,760
October	4,482,000	0.355	0.280	1,461

The above shares were cancelled upon repurchase.

Except for the above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

40. SHARE OPTION SCHEME

The Company adopted a share option scheme at the extraordinary general meeting of the Company held on 24 June 2003 (the "Scheme"). Pursuant to the Scheme, the directors of the Company may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares ("Shares") in the Company subject to the terms and conditions stipulated therein.

Details of the Scheme are as follows:

(i) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity.

(ii) Participants

The directors of the Company may, at their discretion, invite any participant including any executive director, non-executive director or employee (whether full time or part time), shareholder, supplier, customer, consultant, adviser, other service provider or any joint venture partner, business or strategic alliance partner, in each case, of the Company, any subsidiary of the Company or any invested entity, to take up options to subscribe for Shares in the Company.

(iii) Maximum number of shares

(a) 30% limit

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the Shares in issue from time to time (the "Scheme Limit").

(b) 10% limit

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Scheme must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme (excluding any options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, renew the Scheme Mandate Limit by obtaining the approval of its shareholders in general meeting. The Company may also seek separate approval by its shareholders in general meeting for granting options beyond the renewed Scheme Mandate Limit provided the options in excess of such limit are granted only to participants specifically identified.

(iv) Maximum entitlement of each participant

Unless approved by shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the Shares in issue. Where any further grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

40. SHARE OPTION SCHEME *(Continued)*

(v) Price of shares

The exercise price must be at least the higher of: (a) the nominal value of a Share at the date of grant; (b) the closing price of a Share as stated on the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(vi) Amount payable upon acceptance of the option

Acceptance of an offer of the grant of an option shall be by the delivery to and receipt by the Company at its registered office of the form of acceptance sent to the participant duly completed and signed by the participant together with a remittance of HK$1.

(vii) Exercisable periods

The options are generally either fully vested and exercisable within a period of time up to the maximum of 10 years immediately after the date of acceptance of the offer or are vested over a period of time at the directors' discretion on each grant.

(viii) Vesting periods

(a) The options granted on 8 March 2004 have vesting period as follows:

50% of the options are vested in 12 months from the date of acceptance of the offer and the balance 50% of the options are vested in 24 months from the date of acceptance of the offer.

(b) The options granted on 28 September 2004 have vesting period as follows:

100% of the options are vested in 12 months from the date of acceptance of the offer.

(ix) The remaining life of the Scheme

The life of the Scheme is 10 years commencing on 24 June 2003 and will end on 23 June 2013.

(x) Shares available for issue under the Scheme

As at 31 December 2011 and 2010, the total number of shares available for issue under the Scheme was approximately 141,577,000 shares which represented approximately 3.4% of the total issued share capital of the Company.

No option was granted, exercised or outstanding during both years.

41. SHARE PREMIUM AND RESERVE

THE GROUP

Details of changes in share premium and reserves of the Group are set out in the consolidated statement of changes in equity on page 31.

41. SHARE PREMIUM AND RESERVE *(Continued)*

THE COMPANY

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
At 1 January 2010	630,374	402	—	(74,914)	555,862
Profit for the year	—	—	—	111,595	111,595
Other comprehensive income	—	—	1,924	—	1,924
Total other comprehensive income for the year	—	—	1,924	111,595	113,519
At 31 December 2010	630,374	402	1,924	36,681	669,381
Loss for the year	—	—	—	(21,628)	(21,628)
Other comprehensive income	—	—	699	—	699
Total other comprehensive expense for the year	—	—	699	(21,628)	(20,929)
Dividend paid	—	—	—	(29,214)	(29,214)
Share repurchased and cancelled	—	998	—	(3,221)	(2,223)
Transaction costs attributable to repurchase of shares	—	—	—	(31)	(31)
At 31 December 2011	630,374	1,400	2,623	(17,413)	616,984

42. OPERATING LEASES COMMITMENTS

(a) Operating lease commitments as lessee

At 31 December 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Within one year	**3,109**	2,531	**1,219**	1,626
In the second to fifth years inclusive	**943**	1,990	**—**	1,355
	4,052	4,521	**1,219**	2,981

Leases are negotiated for an average term of two years (2010: two years).

42. OPERATING LEASES COMMITMENTS *(Continued)*

(b) Operating leases commitments as lessor

At 31 December 2011, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,646**	2,053
In the second to fifth years inclusive	**14,177**	1,576
	15,823	3,629

Leases are negotiated for an average term of five years (2010: two years).

43. RESTRUCTURING

On 18 February 2010, the Group entered into an agreement for the restructuring of the shareholding structure and the shareholders' loans of 諸城港龍置地有限公司（"港龍置地"），泰豐置地 and 諸城鳳凰置地有限公司（"鳳凰置地"）with the existing 20% non-controlling shareholder at that time, 北京世紀尊博投資有限公司（"世紀尊博"）(the "Reorganisation"). The Reorganisation transaction represented the acquisition of 20% equity interests in 泰豐置地 and 鳳凰置地, existing 80% owned subsidiaries at that time, held by 世紀尊博 at a consideration of RMB16,600,000 (equivalent to approximately HK$18,924,000) and the disposal of 80% equity interests in 港龍置地 held by Zhongshi, a subsidiary of the Group at that time at a consideration of RMB27,900,000 (equivalent to approximately HK$31,806,000). At the same time, the shareholders' loans provided by Zhongshi and 世紀尊博 for the three entities were restructured and the net amount payable by 世紀尊博 to the Group as a result of debt restructuring was approximately RMB6,951,000 (equivalent to approximately HK$7,925,000). Accordingly, 世紀尊博 shall pay to the Group in aggregate net amount of approximately RMB18,251,000 (equivalent to approximately HK$20,807,000). The transaction was completed in April 2010, 泰豐置地 and 鳳凰置地 became wholly-owned subsidiaries of the Group, while 港龍置地 was no longer a subsidiary of the Group. The net cash consideration arising from the transaction which net of the bank balances and cash disposed of HK$114,000 was amounting to HK$20,693,000.

The additional interests acquired in this transaction are as follows:

	泰豐置地	**鳳凰置地**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Additional interest acquired:			
Non-controlling interest	7,361	10,881	18,242
Difference arising on the acquisition of additional interests in subsidiaries included in equity	163	519	682
Total consideration	7,524	11,400	18,924
Cash outflow arising on acquisition:			
Cash consideration paid	(7,524)	(11,400)	(18,924)

The details of disposal of 港龍置地 is shown as note 45(b).

44. ACQUISITION OF A SUBSIDIARY

Year ended 31 December 2010

The Group, through its subsidiary, Chengtong Dafeng Harbour Construction Limited（誠通大豐海港工程建設有限公司）, has acquired 51% interest of Dafeng Ruineng in October 2010 at a consideration of RMB2,728,500 (equivalent to approximately HK$3,180,000). Dafeng Ruineng is engaged in coal trading business.

The fair values of the net assets acquired in the transaction are as follows:

	Dafeng Ruineng *HK$'000*
Net assets acquired:	
Amount due from shareholder	5,825
Bank balances and cash	2
Other payables	(3)
	5,824
Non-controlling interests	(2,853)
Goodwill *(Note (a))*	209
	3,180
Total consideration, satisfied by:	
Cash	3,180
Net cash outflow arising on acquisition:	
Cash consideration paid	(3,180)
Bank balances and cash acquired	2
	(3,178)

Notes:

(a) Goodwill arising on acquisition of Dafeng Ruineng was impaired at date of acquisition.

(b) After the acquisition, the Group further contributed additional capital of RMB22,950,000 (equivalent to approximately HK$26,737,000) to Dafeng Ruineng. At the same time, the non-controlling shareholder also contributed its share of additional share capital of RMB22,050,000 (equivalent to approximately to HK$25,688,000).

45. DISPOSALS OF SUBSIDIARIES

(a) Year ended 31 December 2011

In September 2011, the Group entered into a sale and purchase agreement with an independent third party, for the disposal of the entire paid up capital 桂林誠通 at a cash consideration of RMB55,000,000 (equivalent to approximately HK$67,100,000). The transaction was completed in December 2011 with a gain on disposal of approximately HK$18,660,000.

An amount of approximately HK$40,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

The net assets of 桂林誠通 at date of disposal was as follow:

	HK$'000
Net assets disposed of:	
Investment property	47,580
Property, plant and equipment	850
Trade and other receivables	26
Bank balances and cash	401
Taxation recoverable	6
Trade and other payables	(423)
	48,440
Gain on disposal	18,660
	67,100
Satisfied by:	
Cash consideration received during the year	67,100
Cash inflow arising on disposal:	
Cash consideration received during the current year	67,100
Bank balances and cash disposed of	(401)
	66,699

(b) Year ended 31 December 2010

During the year ended 31 December 2010, there are altogether six disposal transactions entered into by the Group which included the disposals of (i) Merry World Associates Limited ("Merry World"); (ii) 港龍置地; (iii) certain inactive subsidiaries; (iv) 洛陽城南; (v) 泰豐置地; (vi) Talent Dragon Limited ("TDL"), China Chengtong Properties Group Limited ("CCPGL") and Zhongshi. Details of the six transactions are summarised follows:

(i) Disposal of Merry World

On 31 December 2009, the Company entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital in a subsidiary, Merry World, at a cash consideration of HK$33,680,000. The transaction was completed in 6 January 2010 with a gain of approximately HK$591,000.

An amount of approximately HK$3,182,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal in 2010.

45. DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Year ended 31 December 2010 *(Continued)*

(ii) Disposal of 港龍置地

Details of the disposal and the Reorganisation are set out in note 43. The disposal of港龍置地 resulting for a gain of approximately HK$2,237,000 and a release of approximately HK$96,000 from the exchange reserve and transfer to accumulated profits in 2010.

(iii) Disposal of certain inactive subsidiaries

In June 2010, the Group entered into a sale and purchase agreement with an independent third party, for the disposal of the Group's interests in 16 subsidiaries with a consideration of HK$1. The transaction was completed in June 2010 with a gain of approximately HK$14,206,000 recognised in 2010.

These 16 subsidiaries included Beasley International Limited, Boxhill Limited, Chinacorp International Investment Holdings Limited, China Logistics Group Limited, Digital Sun Holdings Limited, e-Distribution Network Limited, Eastern World Transport Inc., Fenugreek International Limited, Galaxy Gain Limited, Meryton Enterprises Limited, Ocean-Land Estate Agents Limited, Ocean-Land Group Limited, Ocean-Land Sports Holding Limited, Ocean-Land Trading Limited, Ocean-Land Warehousing Limited and Winner Artificial Flowers Limited.

(iv) Disposal of 洛陽城南

In August 2010, the Group entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital 洛陽城南 and the amount due to a group company at cash consideration of RMB57,875,000 (equivalent to approximately HK$67,135,000) and RMB3,975,000 (equivalent to approximately HK$4,611,000), respectively. The transaction was completed in September 2010 with a gain of approximately HK$32,626,000.

An amount of approximately HK$156,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

(v) Disposal of 泰豐置地

In November 2010, the Group entered into a sale and purchase agreement with a third party, for the disposal of the entire issued share capital in 泰豐置地 at cash consideration of RMB71,690,000 (equivalent to approximately HK$84,594,000). The transaction was completed in December 2010 with a gain of approximately HK$46,800,000 recognised in 2010.

An amount of approximately HK$458,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

(vi) Disposal of TDL, CCPGL and Zhongshi

In December 2010, the Group entered into sale and purchase agreements with a third party, for the disposal of the entire issued share capital in subsidiaries, TDL (which holds 70% equity interest in Zhongshi) and CCPGL (which holds 30% equity interest in Zhongshi) at cash consideration of HK$95,250,000 and HK$40,910,000, respectively. Other than the equity interests in Zhongshi, TDL and CCPGL did not hold other assets. The Group, in essence, disposed its entire interest in Zhongshi. The transaction was completed in December 2010 with a gain of approximately HK$3,357,000 recognised in 2010.

An amount of approximately HK$21,634,000 was released from the exchange reserve and transfer to accumulated profits resulting from such disposal.

45. DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Year ended 31 December 2010 *(Continued)*

The net assets (liabilities) of Merry World, certain inactive subsidiaries, 洛陽城南, 泰豐置地, TDL, CCPGL and Zhongshi, and 港龍置地 at date of disposals were as follows:

	Merry World *HK$'000*	Certain inactive subsidiaries *HK$'000*	洛陽城南 *HK$'000*	泰豐置地 *HK$'000*	TDL, CCPGL and Zhongshi *HK$'000*	Sub-total *HK$'000*	港龍置地 *HK$'000*	Total *HK$'000*
Net assets disposed of:								
Assets classified as held for sale	40,255	—	—	—	—	40,255	—	40,255
Properties held for development	—	—	—	72,276	—	72,276	62,938	135,214
Trade and other receivables	—	3,018	—	48	6,643	9,709	6	9,715
Bank balances and cash	—	—	45	1	43	89	114	203
Investment property	—	—	39,440	—	—	39,440	—	39,440
Property, plant and equipment	—	—	537	11	234	782	—	782
Property held for sale	—	—	—	—	58	58	—	58
Amount due from a group company	—	—	—	—	140,129	140,129	—	140,129
Provisions for claim	—	—	—	—	(525)	(525)	—	(525)
Deferred tax liabilities	—	—	(724)	—	—	(724)	—	(724)
Liabilities associated with assets classified as held for sale	(7,166)	—	—	—	—	(7,166)	—	(7,166)
Trade and other payables	—	(10,632)	(219)	(34,542)	(8,505)	(53,898)	(126)	(54,024)
Loans from a non-controlling shareholder of subsidiaries	—	—	—	—	—	—	(2,930)	(2,930)
Amounts due to group companies	—	—	(4,611)	—	—	(4,611)	(23,040)	(27,651)
Amounts due to non-controlling shareholders of subsidiaries	—	(3,978)	—	—	—	(3,978)	—	(3,978)
Taxation payable	—	(5)	—	—	(5,517)	(5,522)	—	(5,522)
Unsecured other loans	—	(2,660)	—	—	—	(2,660)	—	(2,660)
	33,089	(14,257)	34,468	37,794	132,560	223,654	36,962	260,616
Non-controlling interests	—	—	—	—	—	—	(7,393)	(7,393)
	33,089	(14,257)	34,468	37,794	132,560	223,654	29,569	253,223
Directly attributable cost	—	51	41	—	243	335	—	335
Gain on disposals	591	14,206	32,626	46,800	3,357	97,580	2,237	99,817
	33,680	—	67,135	84,594	136,160	321,569	31,806	353,375
Satisfied by:								
Cash consideration received during the year	30,273	—	67,135	59,814	—	157,222	31,806	189,028
Deposit received from disposal of assets held for sale as at 31 December 2009	3,407	—	—	—	—	3,407	—	3,407
Bill receivable	—	—	—	24,780	—	24,780	—	24,780
Purchaser's payment made to Zhongshi on behalf of the Group for the repayment to settle the amount owed by the Group to Zhongshi	—	—	—	—	136,160	136,160	—	136,160
Total consideration	33,680	—	67,135	84,594	136,160	321,569	31,806	353,375
Cash inflow arising on disposal:								
Cash consideration received during the year	30,273	—	67,135	59,814	—	157,222	31,806	189,028
Directly attributable cost	—	(51)	(41)	—	(81)	(173)	—	(173)
Bank balances and cash disposed of	—	—	(45)	(1)	(43)	(89)	(114)	(203)
	30,273	(51)	67,049	59,813	(124)	156,960	31,692	188,652

The net cash inflow arising on the disposal of subsidiaries other than 港龍置地, which was included as net proceeds from the Reorganisation set out in note 43, amounted to approximately HK$156,960,000.

46. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with related parties

During the year, the Group had entered into the following significant transactions with the following related parties:

Name of related parties	Nature of transactions	2011 HK$'000	2010 HK$'000
The wholly-owned subsidiaries of the ultimate holding company:			
中國物流有限公司 (formerly known as 中國物流公司)	Income from operating lease arrangement	**750**	420
	Interest income	**462**	—
中國物資儲運總公司瀋陽虎石台一庫	Income from operating lease arrangement	**1,344**	644
嘉成企業發展有限公司	Reimbursement of shared claims expenditure	**—**	1,746
The intermediate holding company of the Company:			
CCHK	Interest income	**350**	—
Non-controlling shareholder of a subsidiary:			
大豐市大豐港開發建設有限公司	Interest income	**—**	1,033
Former non-controlling shareholder of subsidiaries:			
世紀尊博	Interest expense (included in profit or loss)	**—**	29
	Interest expenses (capitalised in properties under development)	**—**	51
Company held by close family members of non-controlling shareholder:			
杭州欣融金屬材料有限公司	Gross proceeds from sale of bulk commodity *(Note)*	**56,165**	—

Note: Gain on bulk commodity trade in relation to sale transaction amounted to HK$824,000 (2010: nil) is charged to profit or loss for the year ended 31 December 2011.

Balances with related parties at respective end of reporting dates are set out in the consolidated statement of financial position/statement of financial position and notes 26, 32, 33 and 35.

46. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions and balances with other government-related entities

The Group itself is part of a larger group of companies controlled by CCHG (CCHG and its subsidiaries are referred to as the "CCHG Group") which is a stated-owned enterprise under the direct supervision of the State Council of the PRC. The directors consider that the Company is ultimately controlled by the government of the PRC and the Group operates in an economic environment currently redenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Apart from transactions with CCHG Group, the Group has transactions with other government-related entities included but not limited to the following:

— sales of coal;

— purchases of coal; and

— gross proceeds from sale of bulk commodity.

Details of the transactions and balances with relevant government-related entities are set out below:

	2011	2010
	HK$'000	*HK$'000*
Transactions with government-related entities:		
Sales of coal	**243,622**	—
Gross proceeds from sale of bulk commodity *(Note)*	**149,752**	—
Purchase of coal	**74,122**	65,540

Note: Gain on bulk commodity trade in relation to sale transaction amounted to HK$2,039,000 (2010: nil) is charged to profit or loss for the year ended 31 December 2011.

	2011	2010
	HK$'000	*HK$'000*
Balances from government-related entities:		
Trade receivables	**42,657**	—

In addition, the Group has entered into various transactions, including other purchases and operating expenses with other government-related entities. In the opinion of the directors, except for the transactions and balances disclosed above, other transactions and balances are considered as individually and collectively insignificant to the operation of the Group for both years.

In addition, the Group has deposits placements, short-term investments, borrowings, corporate bonds, entrusted loan arrangement and other general banking facilities with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

46. RELATED PARTY TRANSACTIONS *(Continued)*

(c) The remunerations of key management personnel, which are the directors during the year were as follows:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	4,370	4,186
Bonus	879	750
Post-employment benefits	88	135
	5,337	5,071

47. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2010, the Group disposed 100% interest in TDL, CCPGL and Zhongshi with details disclosed in note 45(b). The consideration of HK$136,160,000 was paid to Zhongshi as settlement of the balance owed by the Group to Zhongshi.

48. CONTINGENT LIABILITIES

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

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

49. COMMITMENT

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

Principal Properties

AT 31 DECEMBER 2011

A. INVESTMENT PROPERTIES

Location	Group's effective interest	Approximate site area *(sq. m)*	Approximate gross floor area *(sq. m)*	Usage	Category of lease
Land and building situated at No. 77 Qinglong West Road, Tianning District, Changzhou City, Jiangsu Province, the PRC	100%	84,742	26,101	Warehouse and office use	Medium-term lease
Land and buildings situated at West of railway in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC	100%	247,759	28,866	Industrial and storage use	Medium-term lease
A parcel of land designated as No.01213003 and located on the northern side of Mizhou West Road Eastern Section, Zhucheng City, Shandong Province, the PRC	100%	*Note (a)*	3,794	Commercial	Long lease

B. PROPERTIES HELD FOR DEVELOPMENT

Location	Group's effective interest	Approximate site area *(sq. m)*	Usage	Category of lease
A piece of land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, the PRC	66.67%	549,600	Industrial	Medium-term lease
Lot No.1, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC	66.67%	84,648	Residential and commercial	Commercial - Medium-term lease Residential - Long lease
South Portion of Lot No.2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC	66.67%	28,956	Residential and commercial	Commercial - Medium-term lease Residential - Long lease
Lot No.3, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC	66.67%	244,248	Residential and commercial	Commercial - Medium-term lease Residential - Long lease

C. PROPERTIES UNDER DEVELOPMENT

Location	Group's effective interest	Approximate site area *(sq. m.)*	Usage	Category of lease	Stage of completion	Expected completion date
North Portion of Lot No.2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC	66.67%	*Note (b)*	Residential and commercial	Commercial-Medium-term lease Residential-Long lease	Section II work in progress	Section II is expected to be completed in year 2014.
A parcel of land designated as No. 01213003 and located on the northern side of Mizhou West Road Eastern Section, Zhucheng City, Shandong Province, the PRC	100%	*Note (a)*	Residential	Long lease	Remaining Phase I work in progress	Remaining Phase I is expected to be completed in year 2012.

D. PROPERTIES HELD FOR SALE

Location	Group's effective interest	Approximate site area *(sq. m)*	Approximate saleable gross floor area *(sq. m)*	Usage	Category of lease
North Portion of Lot No.2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC	66.67%	*Note (b)*	11,556 (Section I)	Residential and commercial	Commercial-Medium-term lease Residential-Long lease
A parcel of land designated as No. 01213003 and located on the northern side of Mizhou West Road Eastern Section, Zhucheng City, Shandong Province, the PRC	100%	*Note (a)*	25,705 (Phase I) *Note (c)*	Residential	Long lease

Notes:

(a) Part of a parcel of land designated as No.01213003 and located on the northern side of Mizhou West Road Eastern Section, Zhucheng City, Shandong Province, the PRC, total site area is 146,006 sq.m.

The Group is currently proceeding with the change of land usages, in which site area of 15,375 sq.m. will be changed to commercial and residential purposes and the portion with a site area of 9,816 sq.m. will be changed to commercial purpose. The Group had paid the additional land premium in 2011 and the change of land use certificates is in process up to the date of issuance of this report.

(b) Part of North Portion of Lot No.2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC, total site area is 118,974 sq.m.

(c) Include approximately 1,410 sq.m. to be leased out in April 2012.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the year ended 31 December 2011 and the last four financial periods, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**419,483**	89,996	5,536	987,954	52,819
Profits attributable to owners of the Company	**36,381**	87,890	61,982	5,778	35,945

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
ASSETS AND LIABILITIES					
Property, plant and equipment	**8,400**	8,047	8,554	4,338	3,232
Investment properties	**237,741**	222,784	251,256	89,270	83,740
Interests in associates	**—**	—	—	50,768	41,599
Amount due from associates	**—**	—	—	117,415	139,874
Interest in a jointly controlled entity	**—**	—	—	—	103,881
Receivable under finance lease arrangement	**22,804**	60,154	—	—	—
Restricted bank balance	**4,200**	4,200	4,200	4,200	4,200
Properties held for sale	**152,533**	—	11,852	25,259	32,678
Properties held for development	**301,133**	291,259	411,865	270,742	—
Properties under development	**251,427**	318,030	203,077	—	—
Current assets	**2,247,054**	810,219	714,396	602,594	326,085
Total assets	**3,225,292**	1,714,693	1,605,200	1,164,586	735,289
Current liabilities	**(813,752)**	(132,353)	(159,678)	(364,565)	(97,156)
Deferred tax liabilities	**(12,953)**	(1,907)	(718)	(6,846)	(4,737)
Corporate bonds	**(721,845)**	—	—	—	—
Total liabilities	**(1,548,550)**	(134,260)	(160,396)	(371,411)	(101,893)