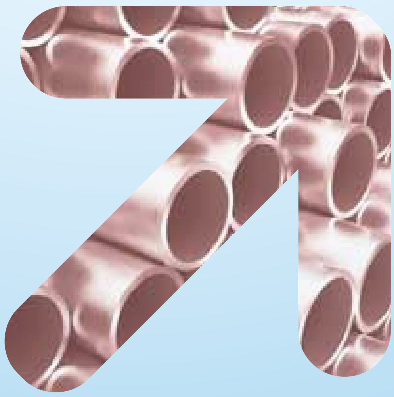
中國誠通發展集團有限公司
China ChengTong Development Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 217

2012
ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zhang Guotong *(Chairman)*
Yuan Shaoli *(Vice Chairman)*
Wang Hongxin *(Managing Director)*
Wang Tianlin

Independent Non-Executive Directors

Kwong Che Keung, Gordon
Tsui Yiu Wa, Alec
Chang Qing (appointed on 1 January 2013)
Ba Shusong (resigned on 1 January 2013)

AUDIT COMMITTEE

Kwong Che Keung, Gordon *(Chairman)*
Tsui Yiu Wa, Alec
Chang Qing

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

Cheng Ka Wai

AUDITOR

BDO Limited
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
DBS Bank Limited, Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Taipei Fubon Commercial Bank Company Limited,
Hong Kong Branch
China CITIC Bank International Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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SHARE REGISTRAR & TRANSFER OFFICE

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STOCK CODE

217

I am pleased to present to all shareholders ("Shareholders") the annual report of China Chengtong Development Group Limited ("Company") and its subsidiaries ("Group") for the year ended 31 December 2012 (the "Year").

For the year ended 31 December 2012, the Group recorded turnover of approximately HK$8,627 million (2011: approximately HK$419 million) and profit attributable to shareholders amounted to approximately HK$184.53 million (2011: approximately HK$36.38 million). The significant rise in the turnover and profit attributable to shareholders of the Group for the Year over last year (21-fold and 5-fold increase respectively) was attributable to the significant growth of comprehensive trading of bulk commodity and the sustained growth in total profit from financial leasing and entrusted loans during the Year.

During the Year, the bulk commodity business grew rapidly, and in addition to trading business, the Group put a great deal of effort in exploring upstream mineral resources including non-ferrous metals and coal, laying a foundation for the Group's transformation into a comprehensive trader of bulk commodity and energy. In respect of financial leasing, the Group seized the investment opportunities brought by changes in industrial policy and the financial market and reaped substantial returns. In terms of property development, profit contribution from the projects in Shandong is increasing year by year. In 2012, according to an agreement entered into with the controlling shareholder, the Group completed the acquisition of marine tourism-related business owned by the controlling shareholder in Hainan Province, China, adding marine tourist assets worth over RMB260 million, which will bring good returns and holds huge development potential.

The Group is fully aware of the importance of maintaining high-level corporate governance. During the Year, by improving the role of the board of directors ("Director") ("Board") of the Company in authorization and supervision of the executive committee and further strengthening the management and monitoring systems establishment for all business activities, the Company's capabilities for risk prevention was enhanced. The Group believes good corporate governance is conducive to protecting the common interests of all shareholders and supporting the healthy development of all business segments. In 2013, the Group will continue its commitment to improving the internal control system and further enhancing corporate governance.

The world economy has entered a period of deep adjustment in the aftermath of the financial crisis and is experiencing a difficult and bumpy recovery while in China, an arduous transformation of economic growth pattern is underway. These will continue to weigh on the international energy and raw materials prices. Given the Group's ambition to become a comprehensive trader of bulk commodity and energy with the aim of building a specialized, sustainable and internationalized profit-making model, the decline in bulk commodity prices will hamper the Group's move to expand bulk commodity trading, but will stand the Group in good stead to acquire resource companies. The Group firmly believes that Chinese economy will maintain rapid growth and the global economy will gradually emerge from the crisis. Considering the great number of developing countries and billions of people around the world striving for modernization, demand for energy and raw material will remain huge in the coming years. It is advisable to make resources acquisition when prices hit the trough although resources companies are having a tough time.

Looking into the future, the Group will keep a keen eye on the macro environment and proactively implement our development strategy. In 2013, the Group will be focused on bulk commodity trading to develop a unique profit making model and core competitiveness whilst stepping up efforts for acquisition of upstream mineral resources, with a view to growing into a comprehensive trader of bulk commodity and energy with resources, diverse financing channels, strong risk resistance capacity and sustainable development capability. Meanwhile, the Group will give full play to the special status of the ultimate controlling shareholder China Chengtong Holdings Group Limited ("CCHG") among central government-owned companies and its advantage, to further explore the possibility of relevant resources injection. The Board and I are absolutely confident about the Group's development in 2013 and in the future.

I would like to express my sincere gratitude to all Shareholders, business partners and communities for their support, trust and care to the Group. I would also like to thank the management and employees of the Company for their contribution throughout the year.

Zhang Guotong
Chairman

Hong Kong, 11 March 2013

I. FINANCIAL RESULTS

Turnover of the Group for the year ended 31 December 2012 was approximately HK$8,627 million, representing a significant increase as compared with HK$419 million for the year ended 31 December 2011. The increase was mainly attributable to the significant increase in the turnover from the Group's bulk commodity trading business which was newly-commenced in the fourth quarter of 2011.

The Group recorded profit attributable to shareholders of approximately HK$184.53 million for the year ended 31 December 2012, representing a significant increase as compared with approximately HK$36.38 million for the year ended 31 December 2011, which was mainly attributable to:

(i) the segment profit before tax of approximately HK$88.87 million from the Group's bulk commodity trading business in 2012 as a result of the significant increase in the turnover of such business, representing a significant increase as compared with approximately HK$25.93 million in 2011;

(ii) the total interest income of approximately HK$90.89 million from the Group's financial leasing business and the entrusted loans, representing a significant increase as compared with approximately HK$13.49 million in 2011; and

(iii) the excess of the fair value of net assets of several subsidiaries in Hainan Province acquired by the Group as at the completion date of the acquisition over the fair value of the acquisition consideration, of approximately HK$122.23 million, which was recognized in the consolidated income statement for the year.

II. BUSINESS REVIEW

(1) Bulk Commodity Trade and Trading of Coal

Chengtong Development International Trading Limited ("Chengtong International Trading") and 杭州瑞能金屬材料有限公司 (unofficial translation as Hangzhou Ruineng Metals Company Limited) ("Hangzhou Ruineng"), being two subsidiaries of the Group established in Hong Kong and the PRC in the fourth quarter of 2011, engage in bulk commodity trading business in Hong Kong and the PRC respectively.

In 2012, Chengtong International Trading and Hangzhou Ruineng achieved external sales of approximately HK$4,551.57 million and approximately HK$4,352.06 million respectively. Together with the results of bulk commodity trading business of its several other wholly-owned subsidiaries, the Group achieved total external sales of approximately HK$11,691.73 million, out of which, approximately HK$8,429.74 million were the corresponding sales of the purchases made in accordance with the Group's expected purchase requirements. In 2012, those sales of approximately HK$8,429.74 million and the aforesaid purchases of approximately HK$8,375.84 million are recognised as gross turnover and cost of sales respectively in the consolidated income statement. The operation of the remaining external sales of approximately HK$3,261.99 million and external purchases of approximately HK$3,164.51 million was same as the operation of those in the year 2011 and accordingly its accounting treatment was consistently applied, i.e. its gross profit of approximately HK$97.48 million in total was recognised as turnover in the consolidated income statement in 2012. As such, the turnover of the bulk commodity trading business was approximately HK$8,527.22 million in 2012, while only Chengtong International Trading recorded external sales of approximately HK$776.34 million and its gross profit of approximately HK$26.04 million was recognized as turnover in 2011.

Bill receivables in relation to bulk commodity trading were discounted to banks, and the finance cost of discounted bills with recourse is amortised to the profit and loss over the relevant period and those without recourse is charged in full to current profit and loss according to the Hong Kong Accounting Standards. During the year under review, consolidated finance cost of bulk commodity trading business totalled approximately HK$66.09 million (including interest expenses on discounted bills amortised or charged for the current year and bank loan interest) (2011: approximately HK$3.70 million).

In 2012, 大豐瑞能燃料有限公司 (unofficial English translation as Dafeng Ruineng Fuel Company Limited) ("Dafeng Ruineng") recorded sales agency income of approximately RMB51,369 from the trading of coal business, as compared with turnover and gross profit of approximately HK$278.69 million and approximately HK$11.83 million in 2011. As the coal trading sector in the PRC experienced a widespread loss in 2012, Dafeng Ruineng did not enter into any coal purchase transaction to avoid any pricing risk.

(2) Financial Leasing

In 2012, the Group recorded both turnover and gross profit in respect of its financial leasing business both of approximately HK$11.42 million, representing an increase of approximately 38% as compared with approximately HK$8.28 million in 2011.

(3) Property Development and Property Investment

(i) Zhucheng of Shandong Province

In 2012, residential apartments of approximately 14,962 square metres, underground ancillary apartments of approximately 661 square metres (2011: approximately 1,942 square metres and 1,576 square metres respectively), 26 underground and 1 above ground parking spaces (2011: 20 and 39 respectively) of CCT-Champs-Elysees Phase I were sold and delivered. This project recorded total net sales revenue of approximately RMB62.75 million (equivalent to approximately HK$77.19 million) and a total gross profit of approximately RMB15.27 million (equivalent to approximately HK$18.78 million) in 2012, as compared to total net sales revenue of approximately HK$86.49 million and a total gross profit of approximately HK$9.4 million in 2011. The leased area of CCT-Champs-Elysees Phase I increased from approximately 3,794 square metres in 2011 to approximately 4,725 square metres in 2012 and the rental income was approximately HK$1.95 million as compared to that of approximately HK$1.19 million in 2011.

As of 31 December 2012, CCT-Champs-Elysees Phase I was fully completed, with unsold or sold-but-not-delivered residential spaces of approximately 29,265 square metres and commercial spaces of approximately 2,485 square metres (excluding the leased area of approximately 4,725 square metres).

The preliminary preparatory work in respect of the three buildings in section II of CCT-Champs-Elysees Phase II has progressed as planned, and its principal construction work is expected to be completed in 2013.

(ii) Dafeng of Jiangsu Province

In 2012, residential buildings and serviced apartments of approximately 650 square metres and 974 square metres respectively (2011: approximately 1,951 square metres and 2,468 square metres respectively) of section I of the initial development area of "Chengtong International City", which is located in Dafeng city of Jiangsu Province, were sold and delivered, generating total net sales revenue of approximately RMB4.86 million (equivalent to approximately HK$5.98 million) and a total gross profit of RMB0.98 million (equivalent to approximately HK$1.21 million) (2011: approximately HK$15.51 million and HK$2.75 million respectively). As of 31 December 2012, the residential area of section I of the initial development area of "Chengtong International City" was sold out, while the remaining saleable area of serviced apartments, commercial units (along with ancillary facilities) and office buildings were approximately 392 square metres, 6,364 square metres, and 3,176 square metres respectively. The decline in sales in 2012 was mainly because the real estate market was affected by economic recessions both abroad and at home leading to capital shortage and sluggish sales.

In December 2012, the Group obtained the planning permit for section II of the initial development area of "Chengtong International City" and completed relevant preliminary preparations. The Group plans to commence the construction in 2013.

(4) Land Resources Development

During the year under review, Chengtong Industrial, a wholly-owned subsidiary of the Group, held two parcels of land located in Changzhou of Jiangsu Province and Shenyang of Liaoning Province, with site areas of approximately 84,742 square metres and 247,759 square metres respectively, and certain buildings erected thereon.

In 2012, the rental income from the land in Changzhou and Shenyang amounted to approximately HK$0.21 million and nil respectively, while approximately HK$0.75 million and approximately HK$1.27 million were recorded respectively in 2011. The decrease in the rental income was mainly because the lease term of the property in Changzhou was 2 months in 2012 and 12 months in 2011, and the lease agreement on the property in Shenyang expired in 2011 without any renewal.

In December 2012, the Group entered into an agreement with Changzhou Land Reserve Centre to dispose of the land in Changzhou, together with the buildings erected thereon, for a consideration of RMB149.99 million. Chengtong Industrial has received the first installment payment of approximately RMB76.50 million, and shall, after removal of all buildings and other immovable fixed assets attached thereto, deliver the land to Changzhou Land Reserve Centre on or before 30 November 2013. Changzhou Land Reserve Centre may pay to Chengtong Industrial the staged consideration earlier than the agreed date if Chengtong Industrial completes the staged relocation progress earlier than the agreed timeframe.

In December 2011, the Group entered into a conditional sales and purchase agreement with an independent third party to sell 12% interest in CT Enterprises, a wholly-owned subsidiary of the Group, for a consideration of approximately RMB51.54 million. In February 2013, both parties reached an agreement to terminate the above agreement, and the Group shall refund the deposit of RMB10 million and part payment of consideration of RMB25 million (together with the fund usage charges calculated at 10% per annum).

(5) Hospitality and Marine Travel Services

The Company entered into the acquisition agreement and supplemental agreements dated 27 July 2011, 29 August 2011, 29 June 2012 and 28 September 2012 with CCHG and China Chengtong Hong Kong Company Limited ("CCHK") to acquire the equity interests in several subsidiaries of CCHG (collectively as "Travel Investment Group"), the consideration of which was settled by way of issuance of 677,282,549 ordinary shares in the Company ("Consideration Shares"). Such transaction was completed on 21 December 2012. The fair value of the Consideration Shares as of the date of completion was approximately HK$176.09 million which was HK$122.23 million less than the fair value of the consolidated net assets of the Travel Investment Group of HK$298.32 million as of the date of completion, and such difference was recognized in the consolidated income statement upon completion of the acquisition.

III. ACQUISITION AND TERMINATION OF ACQUISITION

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

As of 31 December 2012, the Group had paid cash of HK$325,950,000 to the Vendors as earnest money and advance payment (collectively the "Deposits") pursuant to the payment schedule as specified in the Framework Agreement.

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

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

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

The Group is negotiating with the Vendors regarding (i) the refund of the Deposits paid by the Group; and (ii) a new proposal for the Acquisition. It is the Group's intention not to proceed with any further negotiation regarding the Acquisition should the Group and the Vendors fail to agree on a new proposal for the Acquisition on or before 31 May 2013.

IV. OUTLOOK

The United States, as the biggest export destination of China, continues a slow economic recovery while the China's economy has bottomed out. However, the market is still haunted by uncertainties from Europe, Japan, etc. 2013 is a hopeful year for the global economy to shrug off the financial crisis, although it is also a year full of uncertainties. Such macroeconomic factors have mixed impact on the bulk commodity trading business of the Group. The liberalization of interest rates in the PRC will be accelerated, and the ups and downs of the exchange rate will be frequently seen. As such, the entire bulk commodity market, including the nonferrous metal market, will continue to decline before edging up and stabilizing. In 2013, the Group will shape a profit-making model with its own features which will focus more on risk control, and continue to expand its bulk commodity trading business. The further expansion of bulk commodity trading business will also enlarge and consolidate the Group's client base in mining field, which will help the Group to further expand into the upstream field of mineral resources.

In 2013, the Group will continue to press ahead its expansion into the upstream field of mineral resources, mainly through merger and acquisition of the established enterprises with appropriate size as well as strategic investment in world-class mining projects. Base metals such as copper, aluminum, lead, zinc, nickel and tin as well as coal will be our major investment targets. The mining industry has been struggling amidst the turbulent and uncertain market conditions in recent years. However, the current stagnant trend in the industry has offered favourable opportunities and more choices for the Group to access the mineral resources field. In the long run, the fundamentals of the resources industry are still optimistic as huge demand for mineral resources is still expected from the developing counties. Only those companies that invest today will reap huge rewards in the future.

Bulk commodity trading and mining development and investment will become the major drivers of the Group to develop into a comprehensive trader of bulk commodity and energy. The synergy effect from these two businesses will enhance the Group's ability to withstand risks in the commodity fields, level the intense cyclical nature of the commodity sector and enhance its comprehensive profitability in the commodity realm.

In December 2012, the Group completed the acquisition of travel business in Hainan Island which will become one of the major business areas of the Group in the future. Hainan International Tourism Island, as a major strategic deployment of the State Council, has been a tourist honeypot in China in recent years, and its tourism market has maintained sustainable growth. Compared with those world-class island leisure and holiday resorts, a great development potential could be expected for the tourism projects and service functions in Hainan Island. The Group boasts its unique competitive advantages in respect of maritime tourism in Hainan Island. The Group will continuously expand its business in Hainan through investment in new projects and merger and acquisition of enterprises, aiming to make it an important profit generator of the Group.

The Group is reaping fruits of the existing land resource development and property investment projects. The Group believes that these projects will gradually bring favorable returns to the Group.

In particular, the Group is transforming to a comprehensive trader of bulk commodity and energy, for which the Group has obtained strong support from CCHG, the ultimate controlling shareholder of the Group. Also, the advantages of CCHG in warehouse logistics, industry information and risk control in the field of bulk commodity have generated an admirable synergy effect with the businesses of the Group.

In view of the above, the Board is full of confidence in the development of the Group in 2013 and in the future.

GEARING RATIO

As at 31 December 2012, 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$5,927.22 million and total assets of approximately HK$11,125.57 million was approximately 53% (31 December 2011: 42%).

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained healthy during the year under review. As at 31 December 2012, the Group had cash and bank balances amounting to approximately HK$2,328.97 million (31 December 2011: approximately HK$953.03 million), and current assets and current liabilities of approximately HK$10,410.55 million and HK$8,275.29 million respectively (31 December 2011: approximately HK$2,968.01 million and HK$813.75 million respectively).

As at 31 December 2012, the Group's corporate bonds which were issued on 19 May 2011 amounted to approximately HK$731.98 million (31 December 2011: 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$4,841.84 million and HK$352.79 million respectively (31 December 2011: approximately HK$595.14 million and HK$48.8 million respectively) were secured and repayable within one year with interest at commercial rate. The other loans from third parties of approximately HK$600,000 was unsecured, repayable on demand and interest-free.

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

The Group will continue to employ conservative and sound financial planning, 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 2012, the Group employed a total of 357 employees, of which 18 were based in Hong Kong and 339 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 for the shares of the Company. The Group has also adopted a share award scheme (the "Share Award Scheme") under which shares of the Company will be awarded, with the approval of the Board, to selected employees to recognise the contribution by them and to give them incentives thereto in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group.

PLEDGE OF ASSET

As at 31 December 2012, discounted bills with recourse of approximately HK$4,841.84 million (31 December 2011: approximately HK$595.14 million) were secured by bill receivables of approximately HK$4,919.86 million (31 December 2011: approximately HK$611.42 million.)

As at 31 December 2012, the short-term bank loans of HK$12.3 million (31 December 2011: HK$48.8 million) were secured by the land use rights included in property held for development amounting to HK$109.47 million (31 December 2011: HK$108.58 million).

CONTINGENT LIABILITIES, GUARANTEES & COMMITMENTS

Please refer to notes 42, 49, 50 and 51 to the notes to the consolidated financial statements.

DISCLOSURES UNDER RULE 13.18 OF THE LISTING RULES

As disclosed in the Company's announcement dated 25 April 2012, pursuant to the general facility letter granted by a bank in Hong Kong and accepted by Chengtong International Trading (as borrower) on 25 April 2012, the Company has executed a letter of undertaking to the bank as continuing security for the payment and discharge to the bank on demand of all moneys, obligations and liabilities owing or incurred by Chengtong International Trading to the bank. Pursuant to the undertaking letter, the Company has undertaken to the bank that, among other matters, it shall remain majority-owned (not less than 51%) by CCHG during the life of the facility letter. A breach of the terms of the undertaking letter may constitute a breach of the facility letter and the Bank may terminate the facility letter and all loans together with accrued interest and any other amounts accrued under the facility letter may become immediately due and payable. The facility letter is for a term loan facility granted to Chengtong International Trading of up to US$50,000,000. Drawdown of the loan shall be made within one year from the date of acceptance of the facility letter and repayment shall be made 12 months after each drawndown.

DIRECTORS

Mr. Zhang Guotong

Aged 49, 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 58, 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 president of CCHG and 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 49, 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 40, is an executive Director, the general manager of the Company's major subsidiary Chengtong Financial Leasing Company Limited, 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 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. He is a vice-president and chief executive officer of China Huandao (Group) Company. Mr. Wang has extensive experience in corporate governance, capital management and business administration.

Mr. Tsui Yiu Wa, Alec

Aged 63, 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, Philippine and Nasdaq, including China Power International Development Limited, COSCO International Holdings Limited, Melco Crown Entertainment Limited, Pacific Online Limited, China Oilfield Services Limited, ATA Inc. , Summit Ascent Holdings Limited and Melco Crown (Philippines) Resorts Corporation (formerly known as Manchester International Holdings Unlimited Corporation). He is also an independent director of Industrial and Commercial Bank of China (Asia) Limited, 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 63, 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, 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. Chang Qing

Aged 55, is an independent non-executive Director. Mr. Chang joined the Group in January 2013. He is currently the chairman of Jinpeng International Futures Co., Ltd., and a professor of China Agricultural University and the chairman of the expert committee of China Futures Association. Mr. Chang is an independent director of Rongfeng Holding Group Co., Ltd. and Tianli Environmental Engineering Co., Ltd. (both companies are listed on the Shenzhen Stock Exchange), an independent director of Tibet Summit Industry Co., Ltd. (a company listed on the Shanghai Stock Exchange). Mr. Chang studied Economics at Jilin University and obtained his Master degree in Economics from Jilin University in 1985 and PhD degree from Chinese Academy of Social Sciences. He has over 27 years of experience in economic and financial field.

SENIOR MANAGEMENT

Mr. Zhang Bin

Aged 44, 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 University 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 49, 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. 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

Ms. Cheng Ka Wai

Ms. Cheng has been appointed as the company secretary of the Company since 11 May 2012. Ms. Cheng is a practising solicitor in Hong Kong. She received her Bachelor of Laws degree from the University of Hong Kong in 1999 and is currently a partner of Leung & Lau, Solicitors. Ms. Cheng has handled a diverse range of corporate transactions, regulatory compliance and other corporate activities and a variety of corporate finance and commercial matters, including initial public offerings in Hong Kong, domestic and cross-border mergers and acquisitions (including takeovers of Hong Kong listed companies) and private equity investments.

The Board is pleased to present the corporate governance report of the Group for the year ended 31 December 2012.

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.

In the opinion of the Directors, the Company had complied with all the code provisions of (i) the former Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period from 1 January 2012 to 31 March 2012 and (ii) the revised and renamed Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") for the period from 1 April 2012 to 31 December 2012, except for the following deviation:

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Due to other business commitment, Mr. Ba Shusong, an independent non-executive Director (who has resigned as an independent non-executive Director on 1 January 2013), was unable to attend the annual general meeting of the Company held on 21 June 2012.

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.

The key corporate governance principles and practices of the Company during the year ended 31 December 2012 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*
YUAN Shaoli	*(Vice Chairman)*
WANG Hongxin	*(Managing Director)*
WANG Tianlin	

Independent non-executive Directors

KWONG Che Keung, Gordon	*(Chairman of audit committee of the Company ("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)*
CHANG Qing	*(member of Audit Committee, appointed on 1 January 2013)*
BA Shusong	*(member of Audit Committee, resigned on 1 January 2013)*

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 2012, 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 2012, four Board meetings were held.

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 2012 is set out below:

	Number of Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
ZHANG Guotong	4/4	Not applicable	1/1	1/1
YUAN Shaoli	4/4	Not applicable	Not applicable	Not applicable
WANG Hongxin	4/4	Not applicable	Not applicable	Not applicable
WANG Tianlin	4/4	Not applicable	Not applicable	Not applicable
KWONG Che Keung, Gordon	4/4	2/2	1/1	1/1
TSUI Yiu Wa, Alec	4/4	2/2	1/1	1/1
CHANG Qing *(Note 1)*	Not applicable	Not applicable	Not applicable	Not applicable
BA Shusong *(Note 2)*	3/4	2/2	Not applicable	Not applicable

Notes: 1. Mr. Chang Qing was appointed as an independent non-executive Director and a member of Audit Committee on 1 January 2013.

2. Mr. Ba Shusong resigned from office as an independent non-executive Directors and ceased to be a member of the Audit Committee on 1 January 2013.

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, during the year ended 31 December 2012, members of Audit Committee are Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, and Mr. Ba Shusong. Since 1 January 2013, the members are namely, Mr. Kwong Che Keung, Gordon, Mr. Tsui Yiu Wa, Alec, and Mr. Chang Qing. 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 2012 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 2012 and annual results for the year ended 31 December 2012 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 2012 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, reviewing 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 2012, the Nomination Committee held one meeting and proposed to the Board the nomination of Mr. Chang Qing as an independent non-executive Director of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

In the year ended 31 December 2012, 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 2012.

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.

CORPORATE GOVERNANCE FUNCTIONS

The Board has not established a corporate governance committee. Instead, the full Board is responsible for performing the corporate governance function such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Every board member has full assess to the advice and services of the company secretary with a view to en-suring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

SUPPORT AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to the directors, duty of disclosure of interest and business of the Group and Directors have been updated on the latest development regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure the directors, upon reasonable request, to seek independent professional advice in appropriate circumstance, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the Code effective on 1 April 2012 on directors' training. During the year ended 31 December 2012 or since the effective date of the Code, All directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Name of Directors	**Topics on training covered** *(Note)*
ZHANG Guotong	b,d
YUAN Shaoli	b
WANG Hongxin	b
WANG Tianlin	b
KWONG Che Keung, Grogon	b
TSUI Yiu Wa, Alec	a, b, c
BA Shusong (resigned on 1 January 2013)	N/A
CHANG Qing (appointed on 1 January 2013)	N/A

Note: (a) corporate governance
(b) regulatory
(c) finance
(d) industry-specific

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

For the year ended 31 December 2012, 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 2012.

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 pages 23 to 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 2012 amounted to approximately HK$700,000 and HK$810,000 respectively. An analysis of the remuneration paid to the external auditor of the Company is set out below:

	Amount of Fee Paid *(HK$'000)*
Audit services	700
Review on interim results	130
Other non-audit services *(note)*	680
Total	1,510

Note: mainly include approximately HK$680,000 professional fees in relation to certain notifiable transactions 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 2012. 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.

COMPANY SECRETARY

The Company has appointed Ms. Cheng Ka Wai as its company secretary who is not an employee of the Company. In delivering her service as company secretary of the Company, Ms Cheng has direct contact with the Chairman and the Managing Director of the Company and other senior management of the Company. The biography of Ms. Cheng is set out in the section "Biographical Details of Directors and Senior Management" of this report.

Ms. Cheng has confirmed that for the year under review, she has taken no less than 15 hours of relevant professional training.

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.

During the Year, the Company had held one general meeting (being the annual general meeting held on 21 June 2012). The attendance record of such general meeting is as follows:

Name of Directors	Attendance
ZHANG Guotong	✓
YUAN Shaoli	X
WANG Hongxin	✓
WANG Tianlin	X
KWONG Che Keung, Gordon	✓
TSUI Yiu Wa, Alec	✓
CHANG Qing *(Note 1)*	Not Applicable
BA Shusong *(Note 2)*	X

Notes: 1. Mr. Chang Qing was appointed as an independent non-executive Director on 1 January 2013.

2. Mr. Ba Shusong resigned from office as an independent non-executive Directors and ceased to be a member of the Audit Committee on 1 January 2013.

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 www.irasia.com/listco/hk/chengtong.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene an extraordinary general meeting ("EGM")

According to the articles of association, any two or more members of the Company or any one member of the Company which is a recognised clearing house (or its nominee(s)) may request for an EGM to be convened upon depositing at the principal office of the Company in Hong Kong written requisition specifying the objects of the meeting and signed by the requisitionist(s), provided that as at the date of deposit of the requisition, such requisitionist(s) hold not less than one-tenth of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company.

If within twenty-one days of such deposit, the Board fails to proceed to convene the EGM, the requisitionist(s) or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any meeting so convened shall not be held after three months from the date of the original deposit and all reasonable incurred by the requisitionist(s) as a result of the Board's failure to convene an EGM shall be reimbursed to them by the Company.

(2) Shareholders' enquiries

Shareholders' enquiries about their shareholdings can be directed to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. Other Shareholders' enquiries can be directed to the Company Secretarial Department of the Company or the Company Secretary by post to the principal office of the Company at Suite 6406, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong or by e-mail to public@hk217.com.

(3) Procedures for putting forward proposal at general meetings

There are no provisions allowing shareholders to put forward proposals at the general meetings under the memorandum and articles of association. If shareholders wish to do so, they may request to convene an EGM as stipulated above and specify the proposals in such written requisition.

CONSTITUTIONAL DOCUMENTS

The Company has not amended its constitutional documents during the year ended 31 December 2012.

The Directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

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 2012 are set out in the consolidated income statement on page 25.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2012 (for the year ended 31 December 2011: Nil).

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 15 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.

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year, except that the trustee of the Share Award Scheme has purchased a total of 6,630,000 shares of the Company on the Stock Exchange at a total consideration of about HK$1.99 million in accordance with the rules of the Share Award Scheme and the terms of the trust deed.

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 pages 30 to 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 2012, the Company had no distributable reserve as calculated under Section 79B of the Companies Ordinance (31 December 2011: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the five largest customers represented approximately 94.5% of the Group's total turnover. Sales to the largest customer accounted for approximately 48.1% of the Group's total turnover.

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 99.4% of the Group's total purchases. Purchases from the largest supplier accounted for 37.5% of the Group's total purchases.

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 2012.

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)
Mr. WANG Hongxin	(Executive Director and Managing Director)
Mr. WANG Tianlin	(Executive Director)
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, resigned on 1 January 2013)
Mr. CHANG Qing	(Independent non-executive Director, appointed on 1 January 2013)

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 2012, 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:

Long Position

Name of Director	Interest in the Company or its associated corporation	Nature of interest	Number of Shares	Approximate percentage of issued share capital
Yuan Shaoli	The Company	Beneficial owner	300,000 *(Note)*	0.0062%
Wang Hongxin	The Company	Beneficial owner	600,000 *(Note)*	0.0124%
Wang Tianlin	The Company	Beneficial owner	400,000 *(Note)*	0.0083%

Note: These are the Shares awarded to the Directors under the Share Award Scheme on 22 June 2012.

All the interests stated above represent long positions. As at 31 December 2012, 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 2012, 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)*	2,963,626,119 (L)	61.22%
China Chengtong Hong Kong Company Limited ("CCHK")	Controlled corporation *(Note 2)*	2,963,626,119 (L)	61.22%
China Chengtong Holdings Group Limited ("CCHG")	Controlled corporation *(Note 2)*	2,963,626,119 (L)	61.22%

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.

Save as disclosed above, as at 31 December 2012, 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.

CONNECTED TRANSACTIONS

On 6 December 2012, 誠通實業投資有限公司 (unofficial English translation being Chengtong Industrial Investment Limited) ("Chengtong Industrial"), and 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), a company established in the PRC and is wholly owned by CCHG ("CMST") entered into an agreement, under which, CMST agreed to return the land situated at west of railway in Hushitai Town, Shenbei New District, Shenyang City, Liaoning Province, the PRC and the buildings and fixtures constructed thereon and certain other assets to CT Industrial on or before 31 December 2012. CMST shall pay a compensation fee of RMB2,400,000 to CT Industrial. Further details of the transaction are set out in the Company's announcement dated 6 December 2012.

The Company entered into an agreement dated 27 July 2011 and three supplemental agreements dated 29 August 2011, 29 June 2012 and 28 September 2012 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. Completion of the aforesaid acquisition took place on 21 December 2012. Further details of the acquisition are set out in the announcement of the Company dated 27 July 2011 and 29 August 2011, the circular of the Company dated 30 September 2011 and the announcement of the Company dated 29 June 2012, 28 September 2012 and 21 December 2012.

The Directors confirm that the related party transactions during the year ended 31 December 2012 as disclosed in note 45(a), 45(d) and 45(e) 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 2012 as disclosed in note 45(b) and 45(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.

SHARE AWARD SCHEME

The Company has adopted a Share Award Scheme on 25 April 2012 (the "Adoption Date"). The purposes of the Share Award Scheme are to recognize the contribution by certain Selected Employees and to give Selected Employees incentives thereto in order to retain them for the continual operation and development of the Group and attract suitable personnel for the growth and further development of the Group. Unless terminated earlier or extended by the Board in accordance with the Share Award Scheme rules, the Share Award Scheme operates for five years commencing on the Adoption Date. The Board shall not make any further Award which will result in the total number of Shares awarded by the Board under the Share Award Scheme will represent in excess of 1% of the issued Shares as at 31 March 2012 (being 41,634,522 Shares) unless the Board otherwise decides.

For details of the Share Award Scheme, please refer to the announcement of the Company dated 25 April 2012.

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 2012 and the past four financial years is set out on pages 99 to 100.

AUDITOR

The financial statements in respect of the previous financial years since 2004 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte"). Deloitte has retired as auditor of the Company with effect from 21 June 2012 and BDO Limited ("BDO") was appointed as auditor of the Company with effect from 21 June 2012. The financial statements for the year ended 31 December 2012 was audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

By order of the Board

Zhang Guotong
Chairman

Hong Kong,
11 March 2013

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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 25 to 96, which comprise the consolidated and Company's statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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. This report is made 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 judgement, 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 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 2012, 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.

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092

Hong Kong, 11 March 2013

Consolidated Income Statement

For The Year Ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	6	8,626,661	419,483
Cost of sales		(8,444,597)	(358,907)
Gross profit		182,064	60,576
Other income	7	149,765	34,680
Selling expenses		(12,824)	(7,189)
Administrative expenses		(100,625)	(42,139)
Fair value gain on investment properties	17	10,455	17,004
Fair value gain upon properties held for sale transferred to investment properties	17	4,790	20,701
Fair value loss on held-for-trading securities		(181)	(195)
Gain on disposal of a subsidiary	44	—	18,660
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries	43	122,234	—
Finance costs	8	(103,415)	(26,290)
Profit before income tax		252,263	75,808
Income tax expense	9	(43,127)	(27,589)
Profit for the year	10	209,136	48,219
Profit for the year attributable to:			
Owners of the Company		184,526	36,381
Non-controlling interests		24,610	11,838
		209,136	48,219
Earnings per share	13		
— Basic		HK4.41 cents	HK0.87 cent
— Diluted		N/A	N/A

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
Profit for the year	209,136	48,219
Other comprehensive income		
Exchange differences arising during the year	10,631	53,106
Total comprehensive income for the year	219,767	101,325
Total comprehensive income attributable to		
Owners of the Company	193,532	84,073
Non-controlling interests	26,235	17,252
	219,767	101,325

Consolidated Statement of Financial Position

As At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	145,752	8,400
Prepaid land lease payments	16	54,866	—
Investment properties	17	175,558	237,741
Loans receivable under finance lease arrangements	25	—	11,139
Deposits paid	20	338,850	—
		715,026	257,280
Current assets			
Properties held for sale	21	162,371	152,533
Properties under development	21	218,295	251,427
Properties held for development	22	303,601	301,133
Inventories	23	19,528	74,896
Trade and other receivables	24	6,504,106	761,363
Loans receivable under finance lease arrangements	25	12,552	11,665
Amount due from a non-controlling shareholder of a subsidiary	26	18,450	18,567
Prepaid land lease payments	16	1,960	—
Entrusted loan receivables	27	649,219	113,714
Held-for-trading securities	28	1,101	1,281
Derivative financial instruments	29	2,521	—
Short-term investments	30	104,550	328,404
Restricted bank balance	31	—	4,200
Pledged bank deposits	32	355,895	—
Bank balances and cash	32	1,973,076	948,829
		10,327,225	2,968,012
Non-current assets classified as held for sale	36	83,320	—
Total current assets		10,410,545	2,968,012
Current liabilities			
Trade and other payables	33	2,943,433	144,189
Deposits received from sale of properties		21,051	14,573
Deposit received from disposal of an investment property	17	94,095	—
Taxation payable		21,474	9,904
Bank borrowings	34	5,194,634	643,937
Unsecured other loans	35	600	600
Loan from a non-controlling shareholder of a subsidiary	35	—	549
Total current liabilities		8,275,287	813,752
Net current assets		2,135,258	2,154,260
Total assets less current liabilities		2,850,284	2,411,540

Consolidated Statement of Financial Position *(Continued)*

As At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Deferred tax liabilities	37	**47,327**	12,953
Corporate bonds	38	**731,984**	721,845
		779,311	734,798
Net assets		**2,070,973**	1,676,742
EQUITY			
Equity attributable to the owners of the Company			
Share capital	39	**484,074**	416,346
Share premium and reserves		**1,357,915**	1,057,647
		1,841,989	1,473,993
Non-controlling interests		**228,984**	202,749
Total equity		**2,070,973**	1,676,742

On behalf of the Board

Zhang Guotong
DIRECTOR

Wang Hongxin
DIRECTOR

Statement of Financial Position

As At 31 December 2012

	Notes	2012 *HK$'000*	2011 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	1	1
Amounts due from subsidiaries	18	666,032	679,379
		666,033	679,380
Current assets			
Other receivables, prepayments and deposits		1,589	1,347
Amounts due from subsidiaries	19	1,197,399	681,527
Bank balances and cash	32	69,347	413,732
		1,268,335	1,096,606
Current liabilities			
Other payables		54,362	20,811
Net current assets		1,213,973	1,075,795
Total assets less current liabilities		1,880,006	1,755,175
Non-current liabilities			
Corporate bonds	38	731,984	721,845
Net assets		1,148,022	1,033,330
EQUITY			
Share capital	39	484,074	416,346
Share premium and reserves	41	663,948	616,984
Total equity		1,148,022	1,033,330

On behalf of the Board

Zhang Guotong
DIRECTOR

Wang Hongxin
DIRECTOR

Consolidated Statement of Changes In Equity

For The Year Ended 31 December 2012

	Equity attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000* *(Note)*	Exchange reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 31 December 2010	417,344	630,374	402	2,814	—	34,569	336,883	1,422,386	158,047	1,580,433
Transactions with owners:										
Dividend paid	—	—	—	—	—	—	(29,214)	(29,214)	—	(29,214)
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)
Total transactions with owners	(998)	—	998	—	—	—	(32,466)	(32,466)	27,450	(5,016)
Profit for the year	—	—	—	—	—	—	36,381	36,381	11,838	48,219
Other comprehensive income:										
Exchange difference arising from translation of financial statements of foreign operations	—	—	—	—	—	47,692	—	47,692	5,414	53,106
Total comprehensive income for the year	—	—	—	—	—	47,692	36,381	84,073	17,252	101,325
Appropriation to statutory reserve	—	—	—	—	6,387	—	(6,387)	—	—	—
Release of exchange reserve upon disposal of a subsidiary *(note 44)*	—	—	—	—	—	40	(40)	—	—	—
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

	Equity attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000* *(Note)*	Shares held for share award scheme *HK$'000*	Employee share-based compensation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
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
Transactions with owners:												
Issuance of new shares for acquisition of subsidiaries	67,728	108,366	—	—	—	—	—	—	—	176,094	—	176,094
Share purchased for share award scheme	—	—	—	—	—	(1,999)	—	—	—	(1,999)	—	(1,999)
Employee share-based compensation benefits	—	—	—	—	—	—	369	—	—	369	—	369
Total transactions with owners	67,728	108,366	—	—	—	(1,999)	369	—	—	174,464	—	174,464
Profit for the year	—	—	—	—	—	—	—	—	184,526	184,526	24,610	209,136
Other comprehensive income:												
Exchange difference arising from translation of financial statements of foreign operations	—	—	—	—	—	—	—	9,006	—	9,006	1,625	10,631
Total comprehensive income for the year	—	—	—	—	—	—	—	9,006	184,526	193,532	26,235	219,767
Appropriation to statutory reserve	—	—	—	—	5,485	—	—	—	(5,485)	—	—	—
At 31 December 2012	484,074	738,740	1,400	2,814	11,872	(1,999)	369	91,307	513,412	1,841,989	228,984	2,070,973

Note: 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 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before income tax		252,263	75,808
Adjustments for:			
Interest income		(47,428)	(21,549)
Interest income from entrusted loan receivables		(79,468)	(5,210)
Investment income on derivative financial instruments		(2,964)	—
Interest expense		103,415	26,290
Depreciation of property, plant and equipment		1,328	1,112
Gain on disposal of a subsidiary	44	—	(18,660)
Fair value gain on investment properties		(9,496)	(17,004)
Fair value gain upon properties held for sale transferred to investment properties		(4,790)	(20,701)
Fair value gain on non-current assets classified as held for sale		(959)	—
Fair value gain on derivative financial instruments		(2,521)	(2,086)
Fair value loss on held-for-trading securities		181	219
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries		(122,234)	—
Loss on disposal of property, plant and equipment		93	—
Impairment of inventories		5,476	—
Written back of accruals and other payables		(3,913)	—
Employee share-based compensation		369	—
Operating profit before working capital changes		89,352	18,219
Increase in properties under development		(46,381)	(132,474)
Decrease in properties held for sale		72,990	89,812
Decrease (increase) in inventories		56,617	(74,896)
Increase in trade and other receivables		(5,708,431)	(716,570)
Decrease in loans receivable under finance lease arrangements		10,252	37,350
Decrease in held-for-trading securities		—	6,766
Increase in trade and other payables		2,792,209	44,848
Increase (decrease) in deposits received on sale or properties		6,478	(24,823)
Net settlement of derivative financial instruments		—	2,086
Cash flows used in operations		(2,726,914)	(749,682)
The PRC enterprise income tax paid		(25,127)	(13,932)
The PRC land appreciation tax paid		(2,318)	(2,133)
Net cash used in operating activities		(2,754,359)	(765,747)

For The Year Ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Interest received		18,973	21,549
Interest from entrusted loan receivables received		79,468	1,360
Settlement of bill receivables received upon disposal of a subsidiary		—	24,780
Acquisition of subsidiaries	43	17,791	—
Disposal of a subsidiary	44	—	66,699
Deposit paid for acquisition of subsidiaries		(325,950)	—
Settlement (purchase) of short-term investments		328,404	(328,404)
Increase in entrusted loan receivables		(535,505)	(109,800)
Advance to an intermediate holding company		—	(35,000)
Advance to a fellow subsidiary		—	(42,000)
Purchase of property, plant and equipment		(2,299)	(2,204)
Proceeds from disposal of property, plant and equipment		333	—
Repayment from a fellow subsidiary		—	42,000
Repayment from an intermediate holding company		—	35,000
Repayment from a non-controlling shareholder of a subsidiary		269	—
Decrease in restricted bank balance		4,200	—
Investment income on derivative financial instruments		2,964	—
Increase in pledged deposits		(355,895)	—
Net cash used in investing activities		(767,247)	(326,020)
Cash flows from financing activities			
Interest paid		(54,447)	(22,969)
Dividend paid		—	(29,214)
Shares purchased for share award scheme		(1,999)	—
Net proceeds from corporate bonds	38	—	707,522
Cash flows from discounted bills with recourse		4,246,705	595,137
New bank loans raised		352,792	48,800
Capital contribution from a non-controlling shareholder of subsidiaries		—	27,450
Deposit received from a buyer on a partial disposal of a subsidiary		43,050	12,200
(Repayment to) advance from a non-controlling shareholder of a subsidiary		(549)	549
Repayment to ultimate holding company		—	(461)
Repayment to related companies		—	(508)
Payment on repurchase of shares		—	(3,252)
Repayment of bank loans		(49,200)	(47,200)
Net cash generated from financing activities		4,536,352	1,288,054
Net increase in cash and cash equivalents		1,014,746	196,287
Cash and cash equivalents at beginning of year		948,829	716,617
Effect of foreign exchange rate changes		9,501	35,925
Cash and cash equivalents at end of year, representing bank balances and cash		1,973,076	948,829

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

1. GENERAL

China Chengtong Development Group Limited (the "Company") is a limited company incorporated in Hong Kong. The address of its registered office and its principal place of business is Suite 6406, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively known as the "Group") are principally engaged in investment holdings, bulk commodity trading, trading of coal, property development, property investment, financial leasing and hotel and marine travelling services.

During the year, the Group entered into contracts for some of its purchase of bulk commodities in accordance with its expected purchase requirements. Accordingly, those purchases and their subsequent sales are recognised as cost of sales and gross turnover in the consolidated income statement.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 31 December 2012, the Company's immediate holding company is World Gain Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI") and the directors of the Company consider the Group's ultimate holding company to be China Chengtong Holdings Group Limited ("CCHG"), a company incorporated in the PRC.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and the functional currency of the Company is Renminbi ("RMB"). The Company uses Hong Kong dollars as its presentation currency because the Company is a public company incorporated in Hong Kong with its shares listed on the Stock Exchange. The financial statements for the year ended 31 December 2012 were approved for issue by the board of directors on 11 March 2013.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new and revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 1	Severe Hyper and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosure – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

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

Amendments to HKFRS 7 - Disclosures - Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity's future cash flows.

The Group has discounted certain of its trade debts with recourse (note 24). As the Group retained the significant risks and rewards of ownership of the discounted trade debts, the transfer transactions did not meet the requirements of HKAS 39 for de-recognition. The trade debts remained as the Group's financial assets with the cash received being recognised as asset-backed borrowings (note 34). The financial statements for the current period include additional disclosures describing the nature of the relationship between the discounted trade debts and the associated financial liabilities, including restrictions on the Group's use of the debts arising from the discounting arrangements. In accordance with the transition requirements of the amendments, the disclosures for the comparative period have not been amended.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New / revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
Amendments to HKFRS 1	Governments loans[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) - Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 - Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

HKFRS 10 – Consolidation Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 13 - Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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/ revised HKFRSs will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement

The 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.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Business combination and basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Non-current assets classified as held for sale

Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Assets classified as held for sale, other than investment properties and financial assets as set out in notes 4.6 and 4.12 respectively, are measured at the lower of the assets' last revalued amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the accounts of the Group are concerned are financial assets (other than investments in subsidiaries and associates) and investment properties. These assets, even if classified as held for sale, would continue to be measured in accordance with the policies governed with.

Impairment losses on assets held for sale are recognised in profit or loss. As long as non-current asset is classified as held for sale, the non-current asset is not depreciated and amortised.

4.5 Foreign currencies translation

Transactions entered into by the consolidated entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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 translation 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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time. Fair value is determined by independent professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

4.7 Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expense in profit or loss during the year in which they are incurred.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows :

Buildings	4%
Furniture and equipment	10% to 33%
Motor vehicles and vessels	12.5% to 33%
Facilities	5%
Marine travel facilities and equipment	6.67% to 20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the profit or loss on disposal.

Construction in progress represents buildings under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to appropriate category of property, plant and equipment when the construction works complete and ready for use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 4.16.

4.9 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 of leasehold land before commencement of construction.

Properties held under development for future sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost comprises the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. On completion, the properties are transferred to properties held for sale.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling expenses.

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.

4.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using first-in, first-out method, weighted average and actual cost basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.11 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, bank and cash balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 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.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, accrued liabilities and other payables, due to non-controlling equity holders of subsidiaries, borrowings, and corporate bonds issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

(v) 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.

(vi) 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.

(vii) Derecognition

The Group derecognises a financial asset when the contractual right to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.13 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition *(Continued)*

For contracts to buy or sell non-financial items which was accounted for as if the contracts were financial instruments (except for 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), revenue is recognised on the fair value gain or loss from the contracts.

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.

Revenue from hotel accommodation is recognised upon the provision of the accommodation services. Revenue from food and beverage sales and other ancillary services are recognised upon the sales of goods and provision of services respectively.

Service income from financial leasing included interest income from leasing arrangement and handling income.

Finance lease interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of finance lease.

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).

4.14 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entities; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.18 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Employee benefits

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

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

4.20 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.

Share award scheme

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the granted conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

When the share award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Impairment losses of non-financial assets

Goodwill arising on acquisition of subsidiaries, property, plant and equipment, prepaid land lease payments, other intangible assets and interests in subsidiaries are subject to impairment testing.

Goodwill and intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other non-financial assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

4.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Segment reporting *(Continued)*

The Group has identified the following reportable segments:

— Property development – holding land for property development projects;

— Property investment - providing rental services and holding investment properties for appreciation;

— Financial leasing - providing financial leasing service including arranging sales and leaseback transaction;

— Trading of coal;

— Bulk commodity trade - trading of bulk commodity; and

— Hotel and marine travelling services – providing hotel and marine travelling services.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs. 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, finance cost of corporate bonds and excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets included all assets 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 other unallocated assets that are not directly attributable to reportable segments. Segment liabilities exclude corporate bonds, liabilities incurred by head office and the inactive subsidiaries (including trade and other payables and unsecured other loans and deferred taxation) and other unallocated liabilities that are not directly attributable to reportable segments.

No asymmetrical allocations have been applied to reportable segments.

4.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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.

5.1 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.

5.2 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.

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

5.3 Estimated net realisable value for properties held for sale

Management exercises its judgement 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.

5.4 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.

5.5 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.

5.6 Estimated provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

5.7 Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises the prepaid land lease payments in accordance with the accounting policies stated in notes 4.7 and 4.8. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

5.8 Assessment of net identifiable assets on acquisition of subsidiaries

Upon completion of acquisition of subsidiaries or businesses, the directors have assessed the acquisition-date fair value of the identifiable assets acquired and liabilities assumed from the acquisition. The directors use their judgement in selecting an appropriate valuation technique for the Group's buildings and prepaid land lease payments obtained upon the acquisition of subsidiaries during the year. The fair value of the buildings and prepaid land lease payments is estimated by an independent professional valuer based on recent comparable transactions undertaken which generally represents the best estimate of the market value of the buildings and prepaid land lease payments. Where fair value of the identifiable assets acquired and liabilities assumed from the acquisition exceed the fair value of consideration paid for the acquisition, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

6. SEGMENT INFORMATION

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

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

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

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

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

(4) Trading of coal - trading of coal

(5) Bulk commodity trade - trading of bulk commodity

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

Segment revenue and results

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

For the year ended 31 December 2012

	Property investment *HK$'000*	Property development *HK$'000*	Financial leasing *HK$'000*	Trading of coal *HK$'000*	Bulk commodity trade *HK$'000*	Hotel and marine travelling services *HK$'000*	Total *HK$'000*
Turnover as presented in consolidated income statement	2,156	83,158	11,420	—	8,527,224	2,703	8,626,661
Result							
Segment result *(Note (a))*	(6,507)	14,166	13,474	(14,553)	88,869	1,847	97,296
Fair value gain on investment properties *(Note (b))*							10,455
Fair value gain upon properties held for sale transferred to investment properties *(Note (b))*							4,790
Fair value loss on held-for-trading securities							(181)
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries							122,234
Interest income from entrusted loan receivables							79,468
Unallocated finance costs							(37,327)
Unallocated corporate expenses							(29,659)
Unallocated other income							5,187
Profit before income tax							252,263

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2012 *(Continued)*

	Property investment *HK$'000*	Property development *HK$'000*	Financial leasing *HK$'000*	Trading of coal *HK$'000*	Bulk commodity trade *HK$'000*	Hotel and marine travelling services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Notes:								
(a) Amounts included in the measure of segment results								
Interest income from bank deposits and short-term investments	6,083	588	5,950	267	29,683	1	1,460	44,032
Depreciation	(273)	(376)	(179)	(7)	(451)	—	(42)	(1,328)
Allowance for impairment of coal	—	—	—	(5,476)	—	—	—	(5,476)
Finance costs	—	—	—	—	(66,088)	—	(37,327)	(103,415)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance								
Fair value gain on investment properties	10,455	—	—	—	—	—	—	10,455
Fair value gain upon properties held for sale transferred to investment properties	4,790	—	—	—	—	—	—	4,790

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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*
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	11,332	8,395	25,929	48,452
Fair value gain on investment properties *(Note (b))*						17,004
Fair value gain upon properties held for sale transferred to investment properties *(Note (b))*						20,701
Gain on disposal of a subsidiary *(Note (b))*						18,660
Interest income from entrusted loan receivables						5,210
Fair value loss on held-for-trading securities						(195)
Unallocated finance costs						(22,593)
Unallocated corporate expenses						(13,483)
Unallocated other income						2,052
Profit before income tax						75,808

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

	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*
Notes							
(a) Amounts included in the measure of segment results							
Interest income from bank deposits and short-term investments	11,509	746	6,537	257	25	1,663	20,737
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							
Fair value gain on investment properties	17,004	—	—	—	—	—	17,004
Fair value gain upon properties held for sale transferred to investment properties	20,701	—	—	—	—	—	20,701
Gain on disposal of a subsidiary	18,660	—	—	—	—	—	18,660

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. 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.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2012 *HK$'000*	2011 *HK$'000*
Segment assets		
Property investment	444,825	476,662
Property development	769,179	940,605
Financial leasing	22,196	413,565
Trading of coal	19,079	113,939
Bulk commodity trade	8,477,871	742,486
Hotel and marine travelling services	244,122	—
	9,977,272	2,687,257
Total segment assets		
Unallocated		
— entrusted loan receivables	649,219	113,714
— other unallocated assets	422,385	7,302
— bank balances and cash	76,695	417,019
Consolidated assets	11,125,571	3,225,292
Segment liabilities		
Property investment	113,998	19,739
Property development	81,613	128,167
Financial leasing	2,087	2,747
Trading of coal	8,321	46,381
Bulk commodity trade	8,013,575	600,463
Hotel and marine travelling services	39,045	—
Total segment liabilities	8,258,639	797,497
Corporate bonds	731,984	721,845
Deposit received from a buyer on a partial disposal of subsidiary	—	12,200
Unallocated	63,975	17,008
Consolidated liabilities	9,054,598	1,548,550

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).

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the year ended 31 December 2012

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$'000*	Hotel and marine travelling services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets (excluding financial instruments)	57	139	—	—	1,100	137,788	91	139,175

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

Other segment information

The Group's significant operations, external customers and non-current assets (other than financial assets) during the years ended 31 December 2012 and 2011 were located in Hong Kong (place of domicile) and the PRC. Geographical information of revenue from external customers is based on the location of the customers and the geographical location of the non-current assets (other than financial assets) is based on the physical location of the assets.

	Revenue from external customers		Non-current assets (other than financial assets)	
	2012 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2011 *HK$'000*
Hong Kong	3,988,911	26,036	763	729
The PRC	4,637,750	393,447	375,413	245,412
	8,626,661	419,483	376,176	246,141

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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

	2012 HK$'000	2011 HK$'000
Customer A *(note 1)*	—	136,953
Customer B *(note 1)*	—	61,103
Customer C *(note 2)*	2,950,630	23,174
Customer D *(note 3)*	4,148,114	—
	7,098,744	221,230

Notes:

1. These represented revenue from trading of coal for the year ended 31 December 2011 and no revenue from these customers was recognised for the year ended 31 December 2012.

2. This is a customer for bulk commodity trade business (2011: revenue from this customer contributed less than 10% of the total turnover of the Group).

3. This is a customer for bulk commodity trade business and there was no revenue from this customer for the year ended 31 December 2011.

Turnover from major products and services

	2012 HK$'000	2011 HK$'000
Rental income	2,156	4,478
Sales of properties	83,158	102,001
Service income from financial leasing*	11,420	8,278
Sales of coal	—	278,690
Bulk commodity trade	8,527,224	26,036
Hotel and marine travelling services	2,703	—
	8,626,661	419,483

* 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$7,199,000 (2011: Nil) was included in the service income from financial leasing for the year ended 31 December 2012.

7. OTHER INCOME

	2012 *HK$'000*	2011 *HK$'000*
Interest income from bank deposits and short-term investments	**44,032**	20,737
Interest income from entrusted loan receivables	**79,468**	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	**3,396**	—
Commission income from procurement services related to coal trading and arranging bulk commodity trade	**6,050**	3,377
Fair value gain on derivative financial instruments	**2,521**	2,086
Investment income on derivative financial instruments	**2,964**	—
Others	**4,689**	1,419
Overdue charges under finance lease arrangements	**2,732**	1,039
Written back of accruals and other payables	**3,913**	—
	149,765	34,680

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 approximately HK$42,000,000) at an interest rate of 13.2% per annum. These loans together with interest were fully repaid in August 2011.

8. FINANCE COSTS

	2012 *HK$'000*	2011 *HK$'000*
Interest on corporate bonds	**37,327**	22,593
Interest on bank and other borrowings wholly repayable within five years	**8,120**	3,835
Interest on discounted bills	**62,081**	3,697
	107,528	30,125
Less : Amounts capitalised to properties under development	**(4,113)**	(3,835)
	103,415	26,290

9. INCOME TAX EXPENSE

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

Under the Law of the PRC on Enterprise Income Tax ("EIT") and Implementation Regulation, the PRC subsidiaries are subject to tax rate of 25% from 1 January 2008 onwards. The current tax also comprised land appreciation tax ("LAT") which is estimated in accordance with the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	2012 *HK$'000*	2011 *HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong	14,768	3,698
PRC EIT	23,116	12,341
PRC LAT	149	712
	38,033	16,751
Under-provision in prior years:		
PRC EIT	190	37
Deferred taxation *(note 37)*		
Current year charge	4,904	10,801
Taxation charge for the year	43,127	27,589

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2012 *HK$'000*	2011 *HK$'000*
Profit before income tax	252,263	75,808
Tax calculated at PRC EIT rate of 25% (2011: 25%)	63,066	18,952
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	(7,526)	(1,905)
PRC land appreciation tax	149	712
Tax effect of expenses not deductible for tax purposes	19,809	7,471
Tax effect of income not taxable for tax purposes	(39,752)	(2,081)
Tax effect of tax losses not recognised	6,204	4,151
Utilisation of tax losses previously not recognised	(106)	(1,123)
Withholding tax for undistributed profits of PRC subsidiaries	1,093	1,375
Under-provision in prior years	190	37
Income tax expense	43,127	27,589

10. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration	700	1,000
Depreciation of property, plant and equipment	1,464	1,252
Less : Amounts capitalised in properties under development	(136)	(140)
	1,328	1,112
Minimum lease payments in respect of rented premises	4,452	3,075
Contributions to retirement benefits schemes (including directors' emoluments)	1,509	1,007
Staff costs (including directors' emoluments)	26,576	13,703
Total staff costs	28,085	14,710
Less : Amounts capitalised in properties under development	(1,622)	(1,528)
	26,463	13,182
Cost of inventories recognised as expenses	8,439,121	356,668
Exchange loss	6,445	1,138
Provision for inventories *	5,476	—
Loss on disposal of property, plant and equipment	93	—

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

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 7 (2011: 9) directors were as follows:

For the year ended 31 December 2012

	Zhang Guotong HK$'000	Yuan Shaoli HK$'000	Wang Hongxin HK$'000	Wang Tianlin HK$'000	Kwong Che Keung, Gordon HK$'000	Tsui Yiu Wa, Alec HK$'000	Ba Shusong (resigned with effect from 1 January 2013) HK$'000	Total HK$'000
Fees	360	240	240	240	360	360	240	2,040
Salaries	1,056	620	817	392	—	—	—	2,885
Performance-based bonus *(Note)*	300	120	60	446	—	—	—	926
Share-based compensation	—	43	87	58	—	—	—	188
Contribution to retirement benefits schemes	14	41	14	41	—	—	—	110
Total emoluments	1,730	1,064	1,218	1,177	360	360	240	6,149

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2011

	Zhang Guotong *HK'000*	Yuan Shaoli (appointed with effect from 9 March 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 with effect from 23 May 2011) *HK$'000*	Gu Laiyun (retired with effect from 23 May 2011) *HK$'000*	Total *HK$'000*
Fees	360	195	240	240	360	360	240	—	—	1,995
Salaries	966	299	748	362	—	—	—	—	—	2,375
Performance-based bonus *(Note)*	300	—	250	329	—	—	—	—	—	879
Contribution to retirement benefits schemes	16	19	15	38	—	—	—	—	—	88
Total emoluments	1,642	513	1,253	969	360	360	240	—	—	5,337

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2011: three) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining one (2011: two) individual(s) were as follows:

	2012 *HK$'000*	2011 *HK$'000*
Salaries and other benefits	970	1,474
Performance-based bonus	131	258
Share-based compensation	29	—
Contributions to retirement benefits schemes	14	42
	1,144	1,774

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

	2012	2011
Nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	1	1
	1	2

During the years ended 31 December 2012 and 2011, no remunerations were paid by the Group to the directors or the one (2011: two) highest paid employee(s) as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors waived any emoluments for both years.

12. DIVIDENDS

	2012 *HK$'000*	2011 *HK$'000*
Dividend recognised as distribution during the year:		
2011 Interim and Final – Nil (2011: HK0.7 cent per share for 2010 final dividend)	—	29,214

During the year ended 31 December 2011, a final dividend of HK0.7 cent per share totalled HK$29,214,000 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 years ended 31 December 2012 and 2011 was proposed during the years ended 31 December 2012 and 2011, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK$184,526,000 (2011: HK$36,381,000) attributable to the owners of the Company and on the weighted average number of 4,183,807,713 (2011: 4,170,974,917) ordinary shares in issue during the year.

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

14. 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 income 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 17% to 20% (2011: 13% 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 2012, contributions totalling of HK$1,509,000 (2011: HK$1,007,000) were paid by the Group.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings HK$'000	Furniture and equipment HK$'000	Motor vehicles and vessels HK$'000	Facilities HK$'000	Marine travel facilities and equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost							
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
Currency realignment	—	16	64	24	—	—	104
Additions	—	933	1,366	—	—	—	2,299
Acquisition of subsidiaries *(note 43)*	78,828	5,112	32,801	—	18,530	1,605	136,876
Disposals	—	(17)	(814)	—	—	—	(831)
At 31 December 2012	78,828	10,651	39,647	3,365	18,530	1,605	152,626
Accumulated depreciation and impairment							
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
Currency realignment	—	9	28	—	—	—	37
Provided for the year	—	336	959	169	—	—	1,464
Eliminated on disposals	—	(4)	(401)	—	—	—	(405)
At 31 December 2012	—	3,818	2,526	530	—	—	6,874
Carrying amounts							
At 31 December 2012	78,828	6,833	37,121	2,835	18,530	1,605	145,752
At 31 December 2011	—	1,130	4,290	2,980	—	—	8,400

16. PREPAID LAND LEASE PAYMENTS

	THE GROUP 2012 HK$'000	2011 HK$'000
Leasehold land outside Hong Kong:		
- Medium-term leases	56,826	—

	THE GROUP 2012 HK$'000	2011 HK$'000
Opening net carrying amount	—	—
Acquisition of subsidiaries *(note 43)*	56,826	—
Amortisation charge for the year	—	—
Closing net carrying amount	56,826	—
Analysed for reporting purposes as:		
Current assets	1,960	—
Non-current assets	54,866	—
	56,826	—

The Group's prepaid land lease payments represent up-front payments to acquire interest in the usage of land situated in the PRC, which are held under medium-term leases (2011: Nil).

17. INVESTMENT PROPERTIES

	THE GROUP 2012 HK$'000	2011 HK$'000
At fair value		
At 1 January	237,741	222,784
Currency realignment	1,949	8,453
Gain on change in fair value recognised in profit or loss	10,455	17,004
Disposal of a subsidiary *(note 44)*	—	(47,580)
Transfer to non-current assets classified as held for sale *(note 36)*	(83,320)	—
Reclassified from properties held for sale	8,733	37,080
At 31 December	175,558	237,741

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

The fair values of the Group's investment properties at 31 December 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited (2011: B.I. Appraisals Limited and DTZ Debenham Tie Leung Limited), independent qualified professional valuer. 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.

17. INVESTMENT PROPERTIES *(Continued)*

Properties held for sale were transferred to investment properties when there was 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$4,790,000 (2011: HK$ 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.

On 10 December 2012, the Group entered into a sale and purchase agreement ("Land Disposal Agreement") with 常州市土地收購儲備中心 ("Changzhou Land Reserve Centre"), a PRC government entity, in relation to the disposal of an investment property, a land situated at No. 77 Qinglong West Road, Tianning District, Changzhou City, Jiangsu Province, the PRC (the "Land") with approximate site area of 84,742 square meters, at a consideration of RMB149,993,000 (equivalent to approximately HK$184,491,000). The disposal of the Land constitutes a discloseable transaction and the Group has made an announcement on 10 December 2012 to disclose the details of the transaction.

At the date of the Land Disposal Agreement and at 31 December 2012, there is a building situated on the Land and the Group leased out the building for rental income. In accordance with the Land Disposal Agreement, the Group is required to demolish the building and other immovable fixed assets attached to the Land, and to deliver the Land to the Buyer on or before 30 November 2013. The Group considers the consideration for the disposal was arrived at by both parties after arm's length negotiation with reference to the market price of other similar land in the vicinity of the Land and the related relocation costs and compensation with reference to the rules and regulations of the relevant government authorities.

As at 31 December 2012, the transfer of the title of the Land was still under progress. In accordance with HKFRS 5, the Land was classified as non-current assets classified as held for sale and its fair value of HK$83,320,000 was determined with reference to the valuation performed by B.I. Appraisals Limited, an independent qualified professional valuer.

The deposit received from Changzhou Land Reserve Centre in relation of the disposal of the Land of RMB76,500,000 (equivalent to approximately HK$94,095,000) was recognised as a deposit received from disposal of an investment property in the consolidated statement of financial position as at 31 December 2012.

18. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	1,001	1,001
Less : Impairment loss	(1,000)	(1,000)
	1	1
Amounts due from subsidiaries	666,032	679,379

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

Amounts due from subsidiaries form part of the Company's net investment in the subsidiaries. The amounts are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future.

Particulars of the principal subsidiaries at 31 December 2012 and 2011 are as follows:

Company	Place of incorporation/ operations	Total paid-up capital/issued share capital 2012	2011	Equity interest owned by the Company 2012 %	2011 %	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	500 ordinary shares of HK$1 each	55	55	Bulk commodity trade
諸城鳳凰置地有限公司**	The 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」)**	The 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」)*	The PRC	RMB150,000,001	RMB150,000,001	66.67	66.67	Property development
誠通融資租賃有限公司**	The PRC	US$40,000,000	US$40,000,000	100	100	Financial leasing
誠通發展貿易有限公司**	The PRC	RMB100,000,000	RMB100,000,000	100	100	Bulk commodity trade
大豐瑞能燃料有限公司** ("Dafeng Ruineng") *(Note)*	The PRC	RMB50,000,000	RMB50,000,000	34	34	Trading of coal
杭州瑞能金屬材料有限公司**	The PRC	RMB50,000,000	RMB50,000,000	55	55	Bulk commodity trade
海南亞龍灣海底世界旅游有限公司#**	The PRC	RMB96,000,000	N/A	100	N/A	Provision of marine travelling services
海南寰島海底世界酒店有限公司#**	The PRC	RMB8,000,000	N/A	100	N/A	Hotel business

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

** A limited liability company established in the PRC.

\# Subsidiaries was acquired during the year ended 31 December 2012.

Note: 大豐開發 holds 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.

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 2012 and 2011 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. DEPOSITS PAID

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Deposits paid for acquisition of 82% of the equity interests in Alpha Fortune Industrial Limited *(note (a))*	**325,950**	—
Deposit paid for acquisition of property, plant and equipment	**12,900**	—
	338,850	—

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

As of 31 December 2012, the Group has paid cash of equivalent approximately HK$325,950,000 to the Vendors as earnest money and advance payment (collectively the "Deposits") pursuant to the payment schedule as specified in the Framework Agreement.

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

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

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

The Group will negotiate with the Vendors regarding (i) the refund of the Deposits; and (ii) a new proposal for the Acquisition. It is the Company's intention not to proceed with any further negotiation regarding the Acquisition should the Group and the Vendors fail to agree on a new proposal for the Acquisition on or before 31 May 2013.

Details in relation to the Framework Agreement and the termination of the Framework Agreement are set out in the Company's announcements dated 21 August 2012 and 6 February 2013 respectively.

The directors consider that the termination of the Framework Agreement will not have any material adverse impact on the existing business, operations and financial position of the Group, and opine that the Deposits will be fully recoverable by the Group.

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.

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 therefore classified as current assets.

As at 31 December 2012, the Group's property held for development with a net carrying amount of HK$109,470,000 (2011: HK$108,580,000) were pledged to secure banking facilities granted to the Group (note 34).

23. INVENTORIES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Coal	**12,773**	18,101
Bulk commodities	**—**	56,795
Merchandises and consumables	**6,755**	—
	19,528	74,896

Bulk commodities, representing metal traded in open market, are carried at fair value approximate to the market price at the end of the reporting period.

24. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**455,316**	83,794
Bill receivables from bulk commodity trade *(note (b))*	**6,004,050**	611,423
Trade and bill receivables	**6,459,366**	695,217
Prepayments and deposits *(note (c))*	**6,127**	63,522
Other receivables	**38,613**	2,624
Total trade and other receivables	**6,504,106**	761,363

24. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) Trade and bill receivables mainly arose from sales of coal and bulk commodity trade. Bulk commodity trading mainly settled by cash or bills issued by PRC banks which are receivable in 1 year (2011: 3 months to 1 year) from the date of issuance. There is a 7 days (2011: No credit period granted) and a 2 to 15 days (2011: No credit period granted) credit period granted to certain customers of coal trading business and bulk commodity trade business respectively. The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

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

	2012 *HK$'000*	2011 *HK$'000*
Within three months	455,316	83,794

The following is an aged analysis of trade receivables presented which are past due but not impaired.

	2012 *HK$'000*	2011 *HK$'000*
Less than one month past due	—	83,794
One to two months past due	455,316	—
	455,316	83,794

As at 31 December 2012, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$455,316,000 (2011: HK$83,794,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the directors are of the view that such receivables can be fully recovered. The Group does not hold any collateral over these balances.

(b) Bills 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 1 year (2011: 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 2012, HK$4,919,862,000 (2011: HK$611,423,000) of the bills receivables have been discounted to the banks with recourse. The Group is committed to underwrite any of the bills receivables that have been discounted and therefore continues to recognise these as bills receivables until the debtors repay. The proceeds from bills receivables that have been discounted to banks of HK$4,841,842,000 (2011: HK$595,137,000) are included in bank borrowings (note 34) until the debts are collected or the Group makes good any losses suffered by the bank.

(c) As at 31 December 2012, the balances included prepayment for purchases of bulk commodity trade amounted to HK$3,548,000 (2011: HK$60,609,000).

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

	THE GROUP	
	2012 *HK$'000*	2011 *HK$'000*
United States dollars ("USD")	1,118,715	56,165

25. LOANS RECEIVABLE UNDER FINANCE LEASE ARRANGEMENTS

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$33,431,000) (2011:RMB27,180,000 (equivalent to approximately HK$29,340,000)) and leased back the equipment with the lease period of 3 years 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 for the years ended 31 December 2012 and 2011. In addition, the ownership of leased assets will be transferred to the lessee at a purchase option of RMB100 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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise amounts receivable:				
Within one year	**13,483**	14,826	**12,552**	11,665
In more than one year but not exceeding two years	**—**	12,131	**—**	11,139
	13,483	26,957	**12,552**	22,804
Less : Unearned finance income	**(931)**	(4,153)	**—**	—
Present value of minimum lease payment receivables	**12,552**	22,804	**12,552**	22,804
Analysed for reporting purposes as:				
Current assets			**12,552**	11,665
Non-current assets			**—**	11,139
			12,552	22,804

Effective interest rates ranged from approximately 8.81% to 16.19% (2011:9.38% to 17.32%) per annum.

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 independent third parties. The Group is not permitted to sell or re-pledge 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 7.38% (2011: 7.98%) per annum, which is 120% of the benchmark rate offered by the People's Bank of China.

27. ENTRUSTED LOAN RECEIVABLES

As at 31 December 2012, the Group had entered into five (2011: 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:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Entrusted loan receivables:		
Principal	645,750	109,800
Interest receivables	3,469	3,914
	649,219	113,714
Within one year	649,219	113,714

As at 31 December 2012, 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 ranged from 10% to 18.5% (2011: 15% to 18%).

As at 31 December 2012, no entrusted loan receivables have been past due or impaired. The entrusted loan receivables are mainly secured by land and buildings and personal guarantees provided by the specified borrowers or their related parties. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the entrusted loan borrowers.

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

28. HELD-FOR-TRADING SECURITIES

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	1,101	1,281

29. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Foreign exchange forward contracts, at fair value	2,521	—

The forward currency contracts are denominated in RMB with maturity in less than one year (2011: Nil).

30. SHORT-TERM INVESTMENTS

During the year ended 31 December 2012, the Group purchased short-term investments from major banks in the PRC. Within the short-term investments as at 31 December 2012, balance of HK$92,250,000 was not subject to maturity and balance of HK$12,300,000 was subject to maturity up to January 2013. For those short-term investments not subject to maturity, the Group is entitled to redeem the investments with the banks at anytime with immediate effect. The estimated return from these short-term investments ranged from 2.1% to 2.8% per annum. The accrued and unpaid interest will be received upon redemption of the investment from the bank. The directors of the Company consider that the carrying value of short-term investments approximate their fair value at end of the reporting period as it is highly liquid and credit risk involved is insignificant.

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.

31. 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., (i) all the Pre-Capital Reduction Claims shall have been paid, satisfied, settled or otherwise extinguished; (ii) the remaining Non-consenting Creditors shall subsequently give their consents to the Capital Reduction; (iii) any period of limitation in respect of the remaining Pre-Capital Reduction Claims shall have expired; or (iv) such earlier date as the High Court shall direct upon application by the Company.

As at 31 December 2011, restricted bank balance carried interest at market rate of approximately 0.002% per annum and was classified as current assets as it is expected the imposed restriction on the deposits will be released within one year from the reporting date.

During the year ended 31 December 2012, in accordance to the order of the High Court, the restriction imposed on the deposit has been released on 21 June 2012.

32. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Bank balances and cash				
Cash at banks and in hand	1,973,076	948,829	69,347	413,732
Pledged bank deposits				
Deposit pledged against banking facilities granted to mortgagees	2,724	—	—	—
Deposit pledged to secure short-term bank loans *(note 34)*	353,171	—	—	—
	355,895	—	—	—

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 fixed interest rates.

Pledged bank deposits in a Hong Kong bank carry interest at 3.05% (2011: Nil) per annum.

Bank deposits in Hong Kong banks carry interest at 0.001% (2011: 0.01% to 0.9%) 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$804,488,000 (2011: HK$488,754,000) 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	
	2012	2011
	HK$'000	HK$'000
USD	966,877	31,644

33. TRADE AND OTHER PAYABLES

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Trade payables *(note (a))*	11,905	56,898
Other payables and accruals	93,072	27,119
Deposit received from a buyer on a partial disposal of a subsidiary *(note (b))*	43,050	12,200
Bills payable for purchase of bulk commodity	2,755,038	—
Accrual of construction costs	40,368	47,972
	2,943,433	144,189

33. TRADE AND OTHER PAYABLES (Continued)

Notes:

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

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Within one year	8,800	56,898
Over one year but less than two years	3,105	—
	11,905	56,898

(b) On 19 December 2011, the Group entered into an agreement with an independent third party to dispose of 12% equity interest in a subsidiary, Chengtong Enterprise Investment Limited ("CT Enterprise") subject to the condition that 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 years ended 31 December 2012 and 2011. As at 31 December 2012, the Group received deposits totalling RMB35,000,000 (equivalent to approximately HK$43,050,000) (2011: RMB10,000,000 (equivalent to HK$12,200,000)) from the buyer. The transaction was not completed as at 31 December 2012.

On 28 February 2013, the Group entered into a cancellation agreement with the buyer to terminate the disposal of 12% interest in CT Enterprise by the Group. The Group will refund the deposit received from the buyer of RMB35,000,000 (equivalent to approximately HK$43,050,000) and will pay fund usage charges of RMB3,200,000 (equivalent to approximately HK$3,900,000) to the buyer pursuant to the cancellation agreement. Details in relation to the cancellation agreement were set out in the Company's announcement dated 28 February 2013.

The directors considered that the cancellation of the agreement have no material adverse impact on the financial and operational position of the Company.

34. BANK BORROWINGS

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Secured bank borrowings		
Discounted bills with recourse *(note 24)*	4,841,842	595,137
Short-term bank loans	352,792	48,800
	5,194,634	643,937

34. BANK BORROWINGS *(Continued)*

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 in 1 year (2011: 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 1.11% to 3.90% (2011: 2.03% to 3.40%) 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$175,059,000 (2011: HK$16,559,000) and unamortised portion of finance cost in relation to these discounted bills as at 31 December 2012 amounting to HK$118,060,000 (2011: HK$15,476,000) will be charged to profit or loss in 2013. The interest rate is determined at the date of inception. All discounted bills with recourse are secured by bill receivables as at 31 December 2012.

As at 31 December 2012, the Company has provided corporate guarantees amounted to HK$4,067,792,000 (2011: Nil) to the banks in respect of the banking facilities granted to a subsidiary of the Group in relation to the discounted bills with recourse. As at 31 December 2012, the amount of these corporate guarantees which has been utilised for discounted bills with recourse was amounted to HK$3,329,153,000 (2011: Nil).

As at 31 December 2012, the short-term bank loans of HK$12,300,000 (2011: HK$48,800,000) are secured by the land use right included in property held for development amounting to approximately HK$109,470,000 (2011: HK$108,580,000) and carry interest of approximately 6.60% per annum (2011: carried interest rate at 7.216% per annum), which are 110% (2011: 110%) of the benchmark rate offered by the People's Bank of China. As at 31 December 2012, short-term bank loans of approximately HK$340,492,000 (At 31 December 2011: Nil) were secured by fixed bank deposits of approximately HK$353,171,000 (At 31 December 2011: Nil). All bank borrowings are repayable within 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	
	2012	2011
	HK$'000	*HK$'000*
USD	1,177,364	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. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Non-current assets classified as held for sale:		
Investment property *(note 17)*	83,320	-

As at 31 December 2012, non-current assets classified as held for sale included leasehold interest in a land located in the PRC with medium-term leases.

37. DEFERRED TAX

THE GROUP

Deferred tax liabilities

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

	Revaluation of properties *HK$'000*	Acquisition of subsidiaries *HK$'000*	Undistributed profits of PRC subsidiaries *HK$'000*	Total *HK$'000*
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
Acquisition of subsidiaries	—	29,733	—	29,733
Charge to profit or loss	3,811	—	1,093	4,904
Transfer to tax payables	—	—	(366)	(366)
Exchange differences	84	—	19	103
At 31 December 2012	14,210	29,733	3,384	47,327

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.

Deferred tax assets

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

	THE GROUP	
	2012 *HK$'000*	2011 *HK$'000*
Tax losses	123,875	99,485

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$7,788,000 (2011: HK$7,890,000) that will expire on various dates within seven years from the reporting dates. Other tax losses may be carried forward indefinitely.

THE COMPANY

At 31 December 2012, the Company has unused tax losses of HK$76,061,000 (2011: HK$54,774,000) 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 2012, 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 and a fixed interest at 4.5% per annum.

	THE GROUP AND THE COMPANY 2012 HK$'000	2011 HK$'000
Corporate bonds	731,984	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 were 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

	THE GROUP AND THE COMPANY 2012		2011	
	Number of shares '000	HK$'000	Number of shares '000	HK$'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	4,163,452	416,346	4,173,434	417,344
Issuance of new shares	677,283	67,728	—	—
Share repurchased and cancelled	—	—	(9,982)	(998)
At 31 December	4,840,735	484,074	4,163,452	416,346

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

During the year ended 31 December 2012, 677,282,549 consideration shares ("Consideration Shares") have been allotted and issued upon completion of the acquisition of subsidiaries on 21 December 2012. The fair value of the Consideration Shares at the date of issuance amounted to HK$176,094,000. The amount of HK$108,366,000, representing the excess of the fair value of the Consideration Shares over the nominal value of HK$67,728,000, has been included in share premium.

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

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

39. SHARE CAPITAL *(Continued)*

The above shares were cancelled upon repurchase.

During the year ended 31 December 2012, for the purpose of the share award scheme, the Group has purchased a total of 6,630,000 shares of the Company on the Stock Exchange at a total consideration of approximately HK$1,999,000. On 22 June 2012, the Group has granted 2,650,000 shares purchased under share award scheme to the selected employees, among which 1,300,000 shares were granted to certain directors.

The fair value of the ordinary shares granted was determined by reference to their quoted market price of HK$0.275 per share at the date of grant.

Except for the aforementioned, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during both years.

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.

40. SHARE OPTION SCHEME *(Continued)*

(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.

(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 or 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 2012 and 2011, the total number of shares available for issue under the Scheme was approximately 141,577,000 shares which represented approximately 2.9% (2011: 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 RESERVES

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 pages 30 to 31.

THE COMPANY

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Shares held for share award scheme *HK$'000*	Employee share-based compensation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated (losses) / profits *HK$'000*	Total *HK$'000*
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
Loss for the year	—	—	—	—	—	(56,990)	(56,990)
Other comprehensive income	—	—	—	—	(2,782)	—	(2,782)
Total other comprehensive expense for the year	—	—	—	—	(2,782)	(56,990)	(59,772)
Issuance of new shares for acquisition of subsidiaries	108,366	—	—	—	—	—	108,366
Share purchased for share award scheme	—	—	(1,999)	—	—	—	(1,999)
Employee share-based compensation benefits	—	—	—	369	—	—	369
At 31 December 2012	738,740	1,400	(1,999)	369	(159)	(74,403)	663,948

42. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments as lessee

At 31 December 2012, 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	
	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	5,624	3,109	2,264	1,219
In the second to fifth years inclusive	6,479	943	1,887	—
Over five years	111	—	—	—
	12,214	4,052	4,151	1,219

Leases are negotiated for an average term of ten years. (2011: two years).

(b) Operating lease commitments as lessor

At 31 December 2012, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Within one year	14,760	1,646
In the second to fifth years inclusive	4,315	14,177
Over five years	5,936	—
	25,011	15,823

Leases are negotiated for an average term of five years (2011: five years).

43. ACQUISITION OF SUBSIDIARIES

The Group had no acquisition of subsidiaries during the year ended 31 December 2011.

Year ended 31 December 2012

On 27 July 2011, the Group entered into an acquisition agreement (as subsequently supplemented by two supplemental agreements on 29 August 2011 and 29 June 2012 respectively) with China Chengtong Holdings Group Limited (CCHG) and China Chengtong Hong Kong Company Limited (CCHK) to acquire the entire equity interest of Hainan Huandao Hotel Travel Investment Company Limited and its subsidiaries ("Hainan Huandao"). Pursuant to the agreements, the purchase consideration was satisfied by the issuance and allotment of 677,282,549 ordinary shares (the "Consideration Shares") by the Company. The acquisition was completed on 21 December 2012 and the fair value of the purchase consideration at the date of acquisition amounted to HK$176,094,000. Following the acquisition, the Group owned the entire equity interest in Hainan Huandao and obtained the control over Hainan Huandao through the Group's right to nominate all the members of Hainan Huandao's board of directors, and Hainan Huandao became a wholly owned subsidiary of the Group. The acquisition of Hainan Huandao was made with the aim to diversify the Group's business into hotel and marine travelling business.

43. ACQUISITION OF SUBSIDIARIES (Continued)

The fair values of the identifiable assets and liabilities of Hainan Huandao as at the date of acquisition are as follows:

	2012 **Fair value** *HK$'000*
Net assets acquired:	
Property, plant and equipment	136,876
Prepaid land lease payments	56,826
Deposits paid for acquisition of property, plant and equipment	12,900
Inventories	6,725
Trade and other receivables	2,455
Short term investments	104,550
Bank balances and cash	17,791
Trade and other payables	(9,719)
Tax payables	(343)
Deferred tax liabilities	(29,733)
Net assets acquired	298,328
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Bank balances and cash acquired	17,791
Net cash inflow from acquisition of subsidiaries	17,791

	2012 *HK$'000*
Consideration shares issued	176,094
Fair value of net assets	(298,328)
Excess of interest in the net fair value of the net identifiable assets over the fair value of the total cost of acquisition of subsidiaries	122,234

Notes:

The fair value of trade and other receivables and deposit paid amounted to HK$15,355,000. The gross amount of these receivables is HK$15,355,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The Group incurred transaction costs of HK$1,729,000 for this acquisition. These transaction costs amounted to HK$1,710,000 and HK$19,000 have been recognised in the profit or loss and included under administrative expenses in the consolidated income statement for the years ended 31 December 2011 and 2012 respectively.

If the acquisition had occurred on 1 January 2012, the Group's revenue and profit after tax would have been increased by HK$66,307,000 and HK$39,877,000 to HK$8,692,968,000 and HK$249,013,000 respectively, for the year ended 31 December 2012. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

Since the acquisition date, Hainan Huandao has contributed revenue and profit after tax for HK$2,703,000 and HK$1,195,000 to the Group.

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

Notes: (Continued)

The directors opine the purchase consideration for Hainan Huandao, which was agreed by both parties to be satisfied by allotment of 677,282,549 Consideration Shares, was determined in arm's length basis on 27 July 2011, being the date of entering into the acquisition agreements. The acquisition was completed on 21 December 2012 and the fair value of the purchase consideration was determined with reference to the closing market price of the Company's ordinary shares at that date. As a result of the decline in market price of the Company's ordinary shares between the contract date and completion date, the acquisition of Hainan Huandao resulted in an excess of interest in the net fair value of the net identifiable assets over the fair value of the total cost of acquisition of subsidiaries of HK$122,234,000. Such excess of interest in the net fair value of the net identifiable assets over the fair value of the total cost of acquisition of subsidiaries has been recognised in the profit or loss for the period.

44. DISPOSAL OF A SUBSIDIARY

The Group had no disposal of subsidiary during the year ended 31 December 2012.

Year ended 31 December 2011

In September 2011, the Group entered into a sale and purchase agreement with an independent third party, to dispose of the entire paid up capital of 桂林誠通置業管理有限公司(「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 transferred to accumulated profits resulting from such disposal.

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

	2011 *HK$'000*
Net assets disposed of:	
Investment properties	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

45. 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	2012 HK$'000	2011 HK$'000
The wholly-owned subsidiaries of the ultimate holding company			
中國物流有限公司	Income from operating lease arrangement	205	750
	Interest income	—	462
中國物資儲運總公司瀋陽虎石台一庫	Income from operating lease arrangement	2,952	1,344
The intermediate holding company of the Company:			
CCHK	Interest income	—	350
Non-controlling shareholder of a subsidiary:			
江蘇大豐海港控股集團有限公司 (previously known as大豐市大豐港開發建設有限公司)	Interest income	3,396	—
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 is charged to profit or loss for the year ended 31 December 2011. No gain or loss is charged to the profit or loss for this customer for the year ended 31 December 2012.

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 the terms are set out in notes 26 and 35.

(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 denominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

45. RELATED PARTY TRANSACTIONS *(Continued)*

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

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;

— commission income from procurement services related to coal trading;

— 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:

	2012 *HK$'000*	2011 *HK$'000*
Transactions with government-related entities:		
Sales of coal	—	243,622
Commission income from procurement services related to coal trading	63	—
Gross proceeds from sale of bulk commodity *(Note)*	—	149,752
Purchase of coal	—	74,122

Note: No gain or loss on bulk commodity trade in relation to sale transaction (2011: HK$2,039,000) is charged to profit or loss for the year ended 31 December 2012.

	2012 *HK$'000*	2011 *HK$'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.

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

	2012 *HK$'000*	2011 *HK$'000*
Short-term employee benefits	4,925	4,370
Bonus	926	879
Share-based compensation	188	—
Post-employment benefits	110	88
	6,149	5,337

45. RELATED PARTY TRANSACTIONS *(Continued)*

(d) During the year ended 31 December 2012, the Group acquired 100% equity interest in Hainan Huandao from the ultimate and intermediate holding company, CCHG and CCHK, at a consideration of HK$176,094,000. The difference between the consideration and the fair value of the net identifiable assets being acquired had been dealt with the profit and loss as the excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries (Note 43).

(e) At 31 December 2012, the ultimate holding company, CCHG, provided cooperate guarantees amounted to HK$1,265,100,000 (At 31 December 2011: Nil) to the banks in respect to the banking facilities granted to the subsidiaries of the Group.

46. 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.

The gearing ratio at the end of reporting period was as follows:

	The GROUP	
	2012	2011
	HK$'000	*HK$'000*
Current liabilities		
Bank borrowings	5,194,634	643,937
Unsecured other loans	600	600
Loan from a non-controlling shareholder of a subsidiary	—	549
	5,195,234	645,086
Non-current liabilities		
Corporate bonds	731,984	721,845
	731,984	721,845
Total debts	5,927,218	1,366,931
Total assets	11,125,571	3,225,292
Total assets and debts	17,052,789	4,592,223
Gearing ratio	53.3%	42.4%

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	3,622	58,076
Loans and receivables (including cash and cash equivalents)	9,600,291	2,112,740
Receivable under finance lease arrangement	12,552	22,804
Financial liabilities		
Amortised costs	8,773,616	1,441,500

	THE COMPANY	
	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,933,570	1,775,263
Financial liabilities		
Amortised costs	735,625	726,298

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include restricted bank balance, trade and other receivables, loans receivable under finance lease arrangement, amount due from a non-controlling shareholder of a subsidiary, entrusted loan receivables, bulk commodity, short-term investments, derivative financial instruments, bank balances and cash, trade and other payables, 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, 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 2012 and 2011 are as follows:

	THE GROUP			
	Assets		Liabilities	
	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	2,085,592	87,809	1,177,364	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.

47. FINANCIAL INSTRUMENTS *(Continued)*

Categories of 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 reporting date 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	
	2012	2011
	HK$'000	*HK$'000*
Decrease in profit for the year	(33,870)	(1,187)

Price risk

The Group's held-for-trading securities in listed securities and derivative financial instruments 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 is required. The exposure to equity price risk is minimal and no sensitivity analysis is prepared.

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

Sensitivity analysis

As at 31 December 2012, no inventories were held from bulk commodity trading. Therefore there is no exposure in this respect.

As at 31 December 2011, bulk commodity inventories represent aluminium being purchased by the Group. The Group is exposed to the risk of fluctuations in the market price of aluminium prevailing from time to time. The sensitivity analysis has been determined based on fluctuation in aluminium price. A 5% increase or decrease is used which represents management's assessment of the reasonably possible change in aluminium price.

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

47. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

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 has 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.

Sensitivity analysis

The sensitivity analysis 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 (2011: 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 (2011: 50 basis points) higher/lower and all of other variables were held constant, the post-tax profit would increase/decrease by approximately HK$47,000 (2011: HK$86,000).

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. 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 2012, the Group has concentration of credit risk with (a) major customers from (i) bulk commodity trading, with amount of two trade receivables of HK$455,316,000 (2011: a trade receivable of HK$83,794,000), (ii) financial leasing, with amount of receivable under finance lease arrangement of HK$12,552,000 (2011: HK$22,804,000); and (b) five entrusted loan receivables of HK$649,219,000 (2011: two entrusted loan receivables of HK$113,714,000). To monitor the credit risk exposure, the management of the Group has reviewed the recoverability of each debtor periodically.

47. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

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 various individual suppliers and customers (2011: four suppliers and three customers). During the year ended 31 December 2012, 48% (2011: 73%) of turnover of bulk commodity was attributable to a single customer. This concentration risk is addressed by individual counterparty analysis carried out by the management and is monitored on an ongoing basis. In order to monitor the credit risk, most sales is settled by bills issued by stated-owned banks or commercial banks in the PRC which are receivable after 1 year (2011: 3 months to 1 year) from the date of issuance. Most bill receivables have been discounted to banks with recourse (see note 34).

As at 31 December 2012, the Group has concentration of credit risk with bill receivables from bulk commodity trade issued by seven (2011: four) 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 2012, the Group has three short-term investments which represent investment products 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 2012, the Company also has significant concentration of credit risk which has an amount of HK$1,863,431,000 (2011: HK$1,360,906,000) 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 not significant.

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 2012

	THE GROUP				
	Weighted average interest rate per annum %	Within 1 year HK$'000	1 to 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2012 HK$'000
Trade and other payables	—	2,846,398	—	2,846,398	2,846,398
Bank borrowings	2.97	5,316,857	—	5,316,857	5,194,634
Unsecured other loans	—	600	—	600	600
Corporate bonds	4.50	33,210	751,838	785,048	731,984
		8,197,065	751,838	8,948,903	8,773,616
Financial guarantee issued Maximum amount guaranteed	—	39,397	—	39,397	—

47. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

At 31 December 2012 *(Continued)*

	THE COMPANY				
	Weighted average interest rate per annum %	Within 1 year *HK$'000*	1 to 3 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31/12/2012 *HK$'000*
Other payables	—	3,641	—	3,641	3,641
Corporate bonds	4.50	33,210	751,838	785,048	731,984
		36,851	751,838	788,689	735,625
Financial guarantee issued					
Maximum amount guaranteed	—	3,329,153	—	3,329,153	—

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
Financial guarantee issued					
Maximum amount guaranteed	—	30,977	—	30,977	—

47. FINANCIAL INSTRUMENTS (Continued)

Categories of 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 *HK$'000*	1 to 3 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31/12/2011 *HK$'000*
Other payables	—	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

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 derivative financial instruments (2011: 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 amounts of financial assets and financial liabilities recorded at amortised cost in the Group's and the Company's financial statements approximate 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 2012, the listed equity securities and derivative financial instruments which grouped into Level 1 amounted to HK$3,622,000 (2011: listed equity securities and bulk commodity amounted to HK$58,076,000).

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

48. MAJOR NON-CASH TRANSACTION

On 19 December 2012, the Company issued 677,282,549 ordinary shares to acquire the entire equity interest of Hainan Huandao which was a non-cash transaction (note 43).

49. CONTINGENT LIABILITIES

Year ended 31 December 2012

The Group was not subject to any contingent liabilities as at 31 December 2012. The Company or any of its subsidiaries was not involved in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the directors of the Company to be pending or threatened against the Company or any of its subsidiaries.

Year ended 31 December 2011

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$6,184,000) for acquiring the Buildings. In September 2011, the tenant and third party lodged an appeal to the court in the PRC. In May 2012, the court of the PRC has dismissed the appeal.

Save as disclosed above, as at 31 December 2011, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the directors of the Company to be pending or threatened against the Company or any of its subsidiaries.

50. GUARANTEES

The Group

At 31 December 2012, the Group had contingent liabilities in relation to guarantees of approximately HK$39,397,000 (At 31 December 2011: HK$30,977,000) given to banks in respect of mortgage loans granted to purchasers of certain property units.

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

The Company

At 31 December 2012, the Company provided corporate guarantees amounted to HK$4,067,792,000 (At 31 December 2011: Nil) to the banks in respect to the banking facilities granted to a subsidiary of the Group in relation to the discounted bills with recourse. Under the guarantees, the Company would be liable to pay the banks if the banks are unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contracts has been made as the directors considered that it was not probable that the repayment of the loans would be in default.

51. COMMITMENTS

(a) Capital commitments

	THE GROUP	
	2012	2011
	HK$'000	*HK$'000*
Contracted but not provided for		
Purchase of property, plant and equipment	39,596	—

51. COMMITMENTS *(Continued)*

(b) Other commitments

Year ended 31 December 2012

As mentioned in note 20, on 13 August 2012 the Group entered into a Framework Agreement in relation to the acquisition of 82% equity interests in Alpha Fortune (the "Acquisition") at the aggregate considerations of RMB615,000,000 (equivalent to approximately HK$750,300,000). As of 31 December 2012, the Group has paid deposits of RMB265,000,000 (equivalent to approximately HK$325,950,000) to the Vendors. If the Group intends to complete the Acquisition, pursuant to the payment terms as set forth in the Framework Agreement, the remaining balance of RMB350,000,000 (equivalent to approximately HK$430,500,000) of the purchase consideration shall be settled by (i) cash of RMB200,000,000 (equivalent to approximately HK$246,000,000) and (ii) issuance of consideration shares of RMB150,000,000 (equivalent to approximately HK$184,500,000) at the issue price of HK$0.308 per share.

Details in relation to the Framework Agreement are set out in the Company's announcement dated 21 August 2012.

Year ended 31 December 2011

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 by issue of 677,282,549 consideration shares. 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. Details of the proposed acquisition are set out in the Company's circular dated 30 September 2011.

52. POST REPORTING DATE EVENTS

Save as disclosed elsewhere in the financial statements, the Group had entered into significant post reporting date events as follows:

i. On 22 February 2013, Chengtong Development International Trading Limited, a 55% owned subsidiary of the Company, executed a multi-currency note deed poll in favour of Overseas-Chinese Banking Corporation Limited, a bank licensed and incorporated in Singapore, in connection with the issue of multi-currency loan notes (the "Notes") of up to an aggregate amount of RMB1,000,000,000 (equivalent to approximately HK$1,230,000,000). The Notes will not be listed on any stock exchange. On 26 February 2013, the Group has issued the Notes in the aggregate principal amount of RMB110,000,000 (equivalent to approximately HK$135,300,000) at the interest rate of 2.65% per annum which will mature on 26 November 2013.

ii. On 22 February 2013, 杭州瑞能金屬材料有限公司, a 55% indirectly owned subsidiary of the Company, agreed to subscribe for an investment product (the "Investment Product") issued by OCBC Bank (China) Ltd. (the "Bank"), a bank licensed under the laws of the PRC, at a price of RMB110,000,000 (equivalent to approximately HK$135,300,000). The expected rate of return of the Investment Product is 3.48% per annum. The subscription period of the Investment Product commenced on 25 February 2013 and will mature on 26 November 2013. Such subscription of the Investment Product constitutes a discloseable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 *(Notes (c))*	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)	4,725	Commercial	Medium-term 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%	Notes (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%	Notes (a)	Residential	Long lease	Phase II work in progress	Phase II is expected to be completed in Year 2014

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%	Notes (b)	9,932 (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%	Notes (a)	31,749 (Phase I)	Residential	Long lease

Note (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.

Notes (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.

Notes (c) Included in non-current assets classified as held for sale on the face of the consolidated statement of financial position as at 31 December 2012.

A summary of the published results and of the assets and liabilities of the Group for the year ended 31 December 2012 and the last four financial periods, as extracted from the audited financial statements and reclassified as appropriate, is set out below. The summary does not form part of the audited financial statements.

	2012 *HK$'000*	2011 *HK$'000*	2010 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*
RESULTS					
Turnover	8,626,661	419,483	89,996	5,536	987,954
Profits attributable to the owners of the Company	184,526	36,381	87,890	61,982	5,778
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	145,752	8,400	8,047	8,554	4,338
Prepaid land lease payments	54,866	—	—	—	—
Investment properties	175,558	237,741	222,784	251,256	89,270
Interests in associates	—	—	—	—	50,768
Amount due from associates	—	—	—	—	117,415
Loans receivable under finance lease arrangements	—	11,139	—	—	—
Deposits paid	338,850				
Restricted bank balance	—	—	4,200	4,200	4,200
Current assets					
Restricted bank balance	—	4,200	—	—	—
Properties held for sale	162,371	152,533	—	11,852	25,259
Properties held for development	303,601	301,133	291,259	411,865	270,742
Properties under development	218,295	251,427	318,030	203,077	—
Inventories	19,528	74,896	—	—	—
Trade and other receivables	6,504,106	761,363	67,378	6,564	130,278
Loans receivable under finance lease arrangements	12,552	11,665	60,154	—	—
Prepaid land lease payments	1,960	—	—	—	—
Entrusted loan receivables	649,219	113,714	—	—	—
Held-for-trading securities	1,101	1,281	8,266	14,443	—
Derivative financial instruments	2,521	—	—	—	—
Short-term investments	104,550	328,404	—	—	—
Pledged bank deposits	355,895	—	—	—	—
Bank balances and cash	1,973,076	948,829	716,617	617,649	95,590
Amount due from a non-controlling shareholder of a subsidiary	18,450	18,567	17,958	23,978	—
Amount due from an intermediate holding company	—	—	—	1,742	—
Amount due from associates	—	—	—	—	72
Assets classified as held for sale	—	—	—	40,255	—
Claim recoverable	—	—	—	9,765	—
Amount receivable from sale of properties	—	—	—	—	376,654
Non-current assets classified as held for sale	83,320	—	—	—	—
Total assets	11,125,571	3,225,292	1,714,693	1,605,200	1,164,586

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Current liabilities					
Trade and other payables	(2,943,433)	(144,189)	(35,525)	(37,454)	(119,527)
Deposits received from sale of properties	(21,051)	(14,573)	(39,396)	(7,245)	(10,553)
Amounts due to related companies	—	—	(508)	(361)	(354)
Amount due to ultimate holding company	—	—	(461)	—	—
Amount due to non-controlling shareholders of subsidiary	—	—	—	(3,978)	(3,979)
Amount due to a substantial shareholder	—	—	—	—	(5,752)
Taxation payable	(21,474)	(9,904)	(8,663)	(3,319)	(15,620)
Bank borrowings	(5,194,634)	(643,937)	(47,200)	(45,600)	(164,980)
Unsecured other loans	(600)	(600)	(600)	(3,260)	(3,260)
Loan from a non-controlling shareholder of subsidiaries	—	(549)	—	(17,965)	(36,053)
Provisions for claims	—	—	—	(29,923)	(4,487)
Deposit received from disposal of an investment property	(94,095)	—	—	—	—
Deposit received from disposal of assets held for sale	—	—	—	(3,407)	—
Liabilities associated with assets classified as held for sale	—	—	—	(7,166)	—
Non-current liabilities					
Deferred tax liabilities	(47,327)	(12,953)	(1,907)	(718)	(6,846)
Corporate bonds	(731,984)	(721,845)	—	—	—
Total liabilities	(9,054,598)	(1,548,550)	(134,260)	(160,396)	(371,411)