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

2013

ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Yuan Shaoli *(Chairman)*
Wang Hongxin *(Managing Director)*
Wang Tianlin
Zhang Bin (appointed on 30 January 2014)

Independent Non-Executive Directors

Chang Qing
Lee Man Chun, Tony
Chan Sheung Lai

AUDIT COMMITTEE

Chan Sheung Lai *(Chairman)*
Lee Man Chun, Tony
Chang Qing

REMUNERATION COMMITTEE

Lee Man Chun, Tony *(Chairman)*
Chan Sheung Lai
Yuan Shaoli

NOMINATION COMMITTEE

Yuan Shaoli *(Chairman)*
Lee Man Chun, Tony
Chan Sheung Lai

COMPANY SECRETARY

Cheng Ka Wai

AUDITOR

BDO Limited
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank Limited, Hong Kong Branch
Taipei Fubon Commercial Bank Company Limited,
Hong Kong Branch
China CITIC Bank International Limited
BNP Paribas, Hong Kong Branch
China Everbright Bank Company Limited,
Hong Kong Branch
BNY Mellon, Hong Kong Branch
Bank of Communications Company Limited,
Hong Kong Branch
Shanghai Pudong Development Bank, Hangzhou Branch
Bank of Jiangsu, Hangzhou Branch
Bank of Beijing, Hangzhou Branch
Industrial Bank Co., Ltd., Hebei Cangzhou Branch

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STOCK CODE

217

I hereby, on behalf of the Board, present to all shareholders the annual report of China Chengtong Development Group Limited and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 (the "Year").

During the Year, the Group recorded turnover of approximately HK$15.5 billion (2012: approximately HK$8,627 million) and profit attributable to shareholders amounted to approximately HK$50.73 million (2012: approximately HK$184.53 million). The significant rise in the turnover of the Group for the Year over last year was attributable to the significant increase in the turnover from the Group's bulk commodity trading business. However, the gross profit margin of bulk commodity trading business declined due to the impact of macro environment, resulting in a decrease in the results of trading business over last year against the substantial increase in trade volume.

The Group's principal activities are comprehensive trade of bulk commodity and trading of coal, property development and property investment, financial leasing, hotel and marine travel services. During the Year, the bulk commodity trading business grew rapidly. At the beginning of 2014, the Group adjusted the operation model of two trading companies, and adopted a steadier principle for developing trading business. At the same time, in respect of merger and acquisition of coal mines, the Group adopted a more rigorous attitude in terms of project demonstration and due diligence in addition to complying to the regulations of the Stock Exchange, so as to properly safeguard the rights and interests of the Company and shareholders. In terms of property development and property investment, the Group's project in Zhucheng of Shandong Province achieved good sales results, while the progress of the sales of the project in Dafeng was relatively slow due to the immature investment environment. In respect of financial leasing, the Group placed focus on industrial survey, project demonstration and talent pool, laying a good foundation for giving better play to the business's profitability and for the resource allocation capacity. In 2013, the Group's hospitality and marine travel business still maintained higher gross profit margin and achieved good operating results.

The Group believes that good corporate governance is conducive to protecting the common interests of all shareholders and supporting the healthy development of all business segments. During the Year, the Group changed and adjusted the members of the Board. On the existing basis, the Group is continuously strengthening the risk monitoring system of the Board, the audit committee of the Company ("Audit Committee") and the Executive Committee for the businesses and financial fund management of the Company and particularly optimized the operation model of bulk commodity trading business which more effectively prevented various risks.

In 2014, the status of global economy will still be unclear. Chinese economy is undergoing structural transformation and upgrading. The efforts of Chinese government in reform and development have been unprecedentedly increased. Some industries will be confronted with adjustment to a certain extent while the overall economy maintains a proper growth. We are of the view that the Group will face both challenges and opportunities in the process of future development. On the one hand, the Group should pay close attention to the market situation of bulk commodity trading business which is related to the industries with excess production capacity, participate in relevant business with a more prudent and steady attitude and strictly control operational risks. Meanwhile, attention should also be paid to the acquisition and merger risks brought about by the low price of bulk commodity, and it is required to adjust relevant strategies in a prompt way. On the other hand, we have also particularly noticed that, during the tenure of this session of government, deeper structural adjustment and assets reorganization of central enterprises will be conducted within a larger scope. As one of the assets operation platforms in the system of the State-owned Assets Supervision and Administration Commission of the State Council, China Chengtong Holdings Group Limited ("CCHG"), the controlling shareholder of the Group, is likely to play a more important role in the reform and reorganization of central enterprises, which will bring about opportunities for the Group to further obtain better assets on the basis of successful acquisition of land resources and marine travel assets. The Group will also further adjust and optimize strategies and speed up development depending on the changes in situation.

Looking into the future, the Group will adhere to the principle of steady operation, proactively cope with various challenges and achieve sound development of the enterprise. Meanwhile, the Group will intensify strategic research based on a long term plan, striving to seize development opportunities. The Board and I are absolutely confident about the Group's long term development in the future.

I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude to all Shareholders and communities for their support and care to the Group. I would also like to thank all the employees of the Group for their hard work throughout the year.

Yuan Shaoli
Chairman

Hong Kong, 5 March 2014

I. FINANCIAL RESULTS

Turnover of the Group for the year ended 31 December 2013 was approximately HK$15,500 million, representing a significant increase as compared with approximately HK$8,627 million for the year ended 31 December 2012. The increase was mainly attributable to the significant increase in the turnover from the Group's bulk commodity trade business.

The Group recorded profit attributable to shareholders of approximately HK$50.73 million for the year ended 31 December 2013, representing a significant decrease as compared with approximately HK$184.53 million for the year ended 31 December 2012, which was mainly attributable to the following factors:

(i) The absence of one-off gain derived from negative goodwill arising from the completion of acquisition of several subsidiaries by the Group in the year ended 31 December 2012; and

(ii) The segment result from the Group's bulk commodity trade business for the year ended 31 December 2013 substantially decreased as compared to the year ended 31 December 2012.

In addition, the finance cost and other income of the Group for the year ended 31 December 2013 amounted to approximately HK$317.37 million and approximately HK$433.32 million respectively, representing a significant increase as compared with approximately HK$103.42 million and approximately HK$149.77 million for the year ended 31 December 2012 respectively. The increase was mainly attributable to the relatively significant increase in the finance cost on discounted bills and interest income on pledged bank deposits and short-term investment resulting from the significant increase in the amounts of the bills and pledged deposits and short-term investment, which was due to the significant increase in the transaction amount of bulk commodity trade business.

II. BUSINESS REVIEW

(1) Bulk Commodity Trade

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 Mainland China in the fourth quarter of 2011, engage in bulk commodity trade business in Hong Kong and Mainland China respectively.

In 2013, Chengtong International Trading and Hangzhou Ruineng achieved external sales of approximately HK$5,561 million and approximately HK$7,655 million respectively. Together with the results of bulk commodity trade business of its several other wholly-owned subsidiaries, the Group achieved total external sales of approximately HK$17,195 million, of which, approximately HK$15,275 million were the corresponding sales of the purchases made in accordance with the Group's expected purchase requirements. In 2013, those sales of approximately HK$15,275 million and the corresponding purchases of approximately HK$15,252 million were recognised as gross turnover and cost of sales in the consolidated income statement respectively. The operation of the remaining external sales of approximately HK$1,920.35 million and external purchases of approximately HK$1,912 million was the same as that of the previous year and accordingly its accounting treatment was consistently applied in 2013, i.e. its total gross profit of approximately HK$8.30 million was recognised as turnover in the consolidated income statement. As such, the turnover of the bulk commodity trade business and its gross profit were approximately HK$15,283.61 million and approximately HK$31.38 million in 2013 respectively, (2012: approximately HK$8,527.22 million and approximately HK$151.39 million respectively).

Bill receivables from bulk commodity trade 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, consolidated finance cost of bulk commodity trade business totalled approximately HK$275 million (including interest expenses on discounted bills amortised or charged for the current year and bank loan interest) (2012: approximately HK$66.09 million).

In 2014, since the Group could not reach a consensus in relation to the operation mode and risk monitoring measures of bulk commodity trade business with the joint venture partner of Chengtong International Trading and Hangzhou Ruineng, the Group and the partner have agreed to cease to carry out new bulk commodity trade business through Chengtong International Trading and Hangzhou Ruineng. However, the Group will still continue to carry out bulk commodity trade through other wholly-owned subsidiaries of the Group subject to the market situation. Although it is expected that the Group's turnover will therefore be adversely affected for a short term, the Board is of the view that the Group's financial position will remain healthy.

(2) Property Development

(i) Zhucheng of Shandong Province

In 2013, residential apartments of approximately 13,666 square metres, underground ancillary apartments of approximately 409 square metres (2012: approximately 14,962 square metres and 661 square metres respectively), 9 underground and 35 above ground parking spaces (2012: 26 and 1 respectively) of CCT-Champs-Elysees Phase I were sold and delivered. This project recorded total net sales revenue of approximately RMB55.95 million (equivalent to approximately HK$71.17 million) and a total gross profit of approximately RMB12.14 million (equivalent to approximately HK$15.44 million) in 2013, as compared to total net sales revenue of approximately HK$77.19 million and a total gross profit of approximately HK$18.78 million in 2012. The leased area of CCT-Champs-Elysees Phase I increased from approximately 4,725 square metres in 2012 to approximately 4,849 square metres in 2013 and the rental income decreased from approximately HK$1.95 million in 2012 to approximately HK$1.48 million in 2013 due to the decline in the average rental per square metre in 2013.

As at 31 December 2013, the area of the unsold or sold-but-not-delivered spaces of CCT-Champs-Elysees Phase I included residential spaces of approximately 15,598 square metres and commercial spaces of approximately 2,361 square metres (excluding the leased area of approximately 4,849 square metres).

Construction works of section I and section II of CCT-Champs-Elysees Phase II have finished roofing in December 2013, and the project is expected to be completed and delivered at the end of 2014 or the beginning of 2015.

(ii) Dafeng of Jiangsu Province

During the year, no property of section I of the initial development area of "Chengtong International City" located in Dafeng city of Jiangsu Province was sold, which was mainly due to the impacts of national policy regulations, and the lack of major breakthrough in the development of Dafeng Harbour or substantial progress of relevant population policy. While in 2012, residential apartments and serviced apartments of approximately 650 square metres and 974 square metres respectively 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). As at 31 December 2013, the residential area of section I of the initial development area of "Chengtong International City" was sold out. 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.

Development of section II of Chengtong International City was the major task in 2013, which has currently entered into the completion and acceptance phase. Pre-sale of residential apartments of section II has commenced.

(3) Property Investment — Land Resources Development

During the year, tenancy agreement with a term of five months (rental income: approximately HK$0.53 million) and no tenancy agreement (rental income: nil) was concluded for lands and buildings erected thereon located in Changzhou and Shenyang respectively while rental income therefrom totalled approximately HK$0.21 million and nil respectively during the same period last year.

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 approximately RMB149.99 million. The Group completed the transaction on 30 November 2013 and recorded gain on disposal amounting to approximately HK$101.24 million.

On 25 July 2013, the Group entered into a memorandum and intended to sell the entire issued capital of Chengtong Enterprise Investment Limited and certain of its subsidiaries (collectively referred to as the "Chengtong Enterprise Group") at a preliminary purchase price of RMB150 million. The Group has received RMB3 million as earnest money from the purchaser and the purchaser has the exclusive right to purchase Chengtong Enterprise Group. The possible disposal, in essence, is the disposal by the Group of its land and buildings in Shenyang. The possible disposal constituted a discloseable transaction under the Listing Rules. The formal agreement is not yet signed as of the date of issuance of this report. Details of the possible disposal of Chengtong Enterprise Group are set out in the Company's announcement dated 25 July 2013.

(4) Hotel and Marine Travel Services

The Group had completed the acquisition of several subsidiaries of China Chengtong Holdings Group Limited ("CCHG") in December 2012, which are mainly engaged in hotel operation and provision of marine entertainment services in Hainan Province, the PRC. In 2013, the turnover from the provision of marine entertainment services was approximately HK$44.80 million, with a gross profit margin of approximately 62%, while the turnover from hospitality was approximately HK$16.58 million, with a gross profit margin of approximately 65%. The above, together with revenue from other businesses, generated a consolidated turnover of approximately HK$61.45 million and consolidated pre-tax profit of approximately HK$7.34 million for the Group. In 2012, such companies only contributed a consolidated turnover of approximately HK$2.70 million and consolidated pre-tax profit of approximately HK$1.85 million to the Group, mainly due to the consolidation of results in 2012 only after acquisition of such companies by the Group.

(5) Financial Leasing

In 2013, the Group's financial leasing business recorded turnover and gross profit of both approximately HK$0.96 million, representing a substantial decrease as compared with approximately HK$11.42 million in 2012, which was mainly attributable to the fact that there was no new financial leasing business during the year under review and the income was mainly rentals from financial leases previously entered into but not yet completed.

(6) Trading of Coal

Although the domestic coal market was still weak in 2013, the Group's trading of coal business recorded a turnover of approximately HK$81.12 million and turned around from making a loss to making a profit of approximately HK$73,000, while in the same period of last year, the Group only conducted business of provision of agency services, and no sale of coal was conducted and a net loss of approximately HK$14.63 million was made.

III. ACQUISITION OF GUANGXI COAL BUSINESS

In June 2013, the Group entered into a sale and purchase agreement with two independent third parties, pursuant to which the Group conditionally agreed to indirectly acquire 51% equity interest in the Coal Mine Company in Guangxi. The Coal Mine Company holds several coal mines, comprising the Heshan Mines, the Luocheng Mines and the Xingren Mines, which are located in three mining areas: (i) Heshan City, Guangxi, the PRC (中國廣西合山市); (ii) Mulao Autonomous County, Luocheng, Hechi City, Guangxi, the PRC (中國廣西河池市羅城仫佬族自治縣); and (iii) Xingren County, Buyi and Miao Autonomous Prefecture, Qianxi, Guizhou Province, the PRC (中國貴州黔西布依族苗族自治州興仁縣), respectively. The coals from these coal mines are mainly thermal coal for generation of energy. The aggregate consideration for the acquisition was RMB448,600,000, among which approximately RMB265,000,000 has been paid by the Group as at 31 December 2013.

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

In January 2014, the Group has advanced a loan of RMB50 million to the Coal Mine Company for a term ending on 30 June 2014 at the interest rate of 5.6% per annum.

Further details of the acquisition are set out in the Company's announcements dated 24 June 2013 and 31 October 2013.

IV. OUTLOOK*(NOTE)*

It is expected that in 2014, the world economy will remain in a period of adjustment and the economic growth in emerging markets will slow down, while China is expected to sustain fast economic growth, thus bringing moderate room of expansion for various businesses of the Group. However, the management still anticipate the year 2014 to be a year full of challenges for the Group.

Coal is a major source for power generation and for other various uses, such as steel making and cement manufacturing. In spite of the continuing global economic turmoil and uncertainties, the slowdown of China economic growth as well as some structural problems such as over capacity and real estate bubble, coal consumption in the PRC in 2013 still recorded a slight increase. However, it is not easy to substitute coal with other clean energy in a short-term given the mining technologies, transportation and geographical distribution.

Since the Group acquired Dafeng Ruineng in the fourth quarter of 2010, trading of coal has become one of the principal activities of the Group. Although Dafeng Ruineng did not enter into any purchase for coal trading transaction to avoid any pricing risk for the year ended 31 December 2012, the Directors believe that Chinese economy will maintain rapid growth and the demand for energy and raw material will remain huge in the coming years. Therefore, although the coal market remains at the low point in a short-term, we are still positive for the rigid demands for coal in China. In the future, the Group will carefully assess the changes and demands in regional market, so as to expand the coal business steadily. Except for eastern China, the Group will consider to focus on the expansion of southern China business to coordinate the acquisition of Guangxi coal business by the Group in the future, so as to better perform the regional synergy effect, and to accelerate the development of coal trading. The management expects the acquisition of Guangxi coal business to be completed in 2014. Subsequently, the Group will be committed to reorganize its assets, optimize the operation management and internal control system, and upgrade the mining technologies and scale of certain coal mines, in order to improve the production efficiency.

Note: Subsequent to the date of this report (5 March 2014) but before the bulk printing of this report, the Company announced that the sale and purchase agreement relating to the acquisition of Guangxi coal business has lapsed on 31 March 2014 because some of the conditions precedent to the completion of the sale and purchase agreement had not been satisfied (or, where applicable, waived by the Group). Please refer to the announcement of the Company dated 1 April 2014 for more details.

The Group always pays much attention to monitoring risks. Formulating comprehensive risk management policies is an important foundation for future development. Although the Group has ceased to carry out bulk commodity trade through Chengtong International Trading and Hangzhou Ruineng, the non wholly-owned subsidiaries, in 2014, the Group is currently reviewing the operation mode and risk management system of bulk commodity trade carried out through the wholly-owned subsidiaries of the Group, so as to further expand the bulk commodity trade of the Group by formulating an advantageous operation mode and a more comprehensive risk management policy.

The Group had completed the acquisitions of several subsidiaries of CCHG in December 2012, which are mainly engaged in hotel operation and provision of marine entertainment services in Hainan province, the PRC. Thus far, these companies have recorded stable consolidated profits due to owning the right to use the sea areas nearby. Given that the tourism markets in Hainan province and Sanya continue to change for the better, in the year of 2014, these companies will overcome difficulties caused by impacts of increasingly severe weather such as the strike of typhoon on marine operation and other factors and completed tasks such as tapping into internal potentials, cost reduction and efficiency improvement. At the same time, it will accelerate the preparatory work of the reconstruction program of Yalongwan Hotel (亞龍灣酒店) in full swing with a view to commence construction in 2014.

As for the segment of property development, in 2014, the Group will continue to develop the project of CCT-Champs-Elysees located in Zhucheng of Shandong province. Chengtong Dafeng Harbour Development Limited (誠通大豐海港開發有限公司) ("Dafeng Company"), whose equity interests is held by the Group as to 66.67% and holds "Chengtong International City" in Dafeng of Jiangsu province and other lands, intends to sell Dafeng Company as a whole in 2014 while the sale of units of section II of Chengtong International City will continue. The Group will cautiously expand the business of property development, property investment and land resources development to open up new sources of profit if the appropriate investment opportunities arise, so as to supplement the insufficiency of profitability during the downturn period of the coal industry.

Notwithstanding the fact that the Group slowed down its financial leasing business in 2013, taking into account its financing capacity under risk control, the Group will re-expand the business by taking initiative to provide financial leasing or sale-and-leaseback services for the Group's future huge internal investment in coal equipments in 2014.

Although the Group's business is relatively diversified, the Board will continue to concentrate its resources and commit to transforming itself into an integrated marketer of bulk commodity and energy, will recruit more professionals and entitle them to more incentive remuneration and profit distribution policies that are profit-linked, so as to achieve the diversification of business and the specialization of profit centers. At the same time, CCHG, the controlling shareholder will continue to support the Group in project capital injection, financing in the market and other aspects. The Board deeply believes that the Group can achieve its long-term business development goals and is confident of the development potential of the Group in the future.

GEARING RATIO

As at 31 December 2013, the Group's gearing ratio calculated on the basis of bank borrowings, other loan and corporate bonds of approximately HK$10,036 million and total assets of approximately HK$19,721 million was approximately 51% (as at 31 December 2012: 53%).

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position remained stable during the year under review. As at 31 December 2013, the Group had cash and bank balances including pledged bank deposits amounting to approximately HK$3,233 million (as at 31 December 2012: approximately HK$2,329 million), and current assets and current liabilities of approximately HK$18,912 million and HK$17,445 million respectively (as at 31 December 2012: approximately HK$10,411 million and HK$8,275 million respectively).

As at 31 December 2013, the Group's corporate bonds which were issued on 19 May 2011 amounted to approximately HK$762 million (as at 31 December 2012: approximately HK$732 million) and will mature on 19 May 2014. The Group's discounted bills with recourse and short-term bank loans of approximately HK$9,264 million and approximately HK$9.27 million respectively (as at 31 December 2012: approximately HK$4,842 million and HK$353 million respectively) were secured and repayable within one year with interest at commercial rate. The other loan 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 effective financial planning, ensuring a solid financial position to support its future growth.

FOREIGN EXCHANGE RISK MANAGEMENT

The business activities and operation of the Group are mainly in Hong Kong and Mainland China, with transactions denominated in Hong Kong dollars, Renminbi and US dollars, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but 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 2013, the Group employed a total of 349 employees, of which 15 were based in Hong Kong and 334 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 new 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 ("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 2013, gross amount of bills payable of approximately HK$6,513 million (as at 31 December 2012: Nil) were secured by gross bank deposits and short-term investments of approximately HK$2,766 million and HK$2,808 million respectively (as at 31 December 2012: Nil).

As at 31 December 2013, discounted bills with recourse of approximately HK$9,264 million (31 December 2012: approximately HK$4,842 million) were secured by bills receivable of approximately HK$9,481 million (31 December 2012: approximately HK$4,920 million).

As at 31 December 2013, gross amount of short-term bank loans of approximately HK$1,713 million (At 31 December 2012: HK$340.49 million) were secured by pledged bank deposits with gross amounts of approximately HK$1,705 million (as at 31 December 2012: HK$353.17 million).

As at 31 December 2013, the gross amounts of pledged bank deposits amounted to approximately HK$2,766 million, HK$1,705 million and HK$1.47 million were pledged for bills payable, bank borrowings and pledged against banking facilities granted to mortgagees respectively. (As at 31 December 2012: amount pledged for bills payable: nil, amount pledged for bank borrowings: HK$353.17 million and amount pledged against banking facilities granted to mortgagees: HK$2.72 million).

CONTINGENT LIABILITIES, GUARANTEES & COMMITMENTS

Please refer to notes 48, 49 and 50 to the financial statements.

DIRECTORS

Mr. Yuan Shaoli

Aged 59, is an executive Director and the 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 China Chengtong Hong Kong Company Limited ("CCHK") and a director of World Gain Holdings Limited ("World Gain"). Mr. Yuan has extensive experience in business management, assets management, public relations and human resources management.

Mr. Wang Hongxin

Aged 50, 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 41, is an executive Director and 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. Zhang Bin

Aged 45, is an executive Director and the deputy general manager of the Company. Mr. Zhang joined the Group in July 2010 and was appointed as an executive Director with effect from 30 January 2014. 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. Mr. Zhang has rich theoretical and practical experience in corporate management and risk control. He has been the deputy general manager of CCHK since 2007.

Mr. Chang Qing

Aged 56, 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., 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.

Mr. Lee Man Chun, Tony

Aged 60, is an independent non-executive Director. Mr. Lee joined the Group in November 2013. He is an executive director of Shenyin Wanguo (H.K.) Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), since June 2000 and served as its chief executive officer from July 2000 to March 2012. Previously, he worked for and held senior positions with Standard Chartered Bank and Sanwa International Finance Ltd. He is an associate of the Hong Kong Institute of Certified Public Accountants. He has years of extensive experience in capital markets, corporate management, finance and banking.

Mr. Chan Sheung Lai

Aged 51, is an independent non-executive Director. Mr. Chan joined the Group in November 2013. Currently, he is an executive director and the chief executive officer of Carrianna Group Holdings Company Limited, the shares of which are listed on the main board of the Stock Exchange. He was an executive director and the chief executive officer of Value Partners Group Limited, the share of which are listed on the Main Board of the Stock Exchange. Mr. Chan was a partner of Deloitte Touche Tohmatsu. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He graduated with a bachelor's degree in social sciences from the University of Hong Kong in 1984. He was over 20 years of investment, real estate, corporate finance and business management experience, and long track record of building businesses in China.

SENIOR MANAGEMENT

Ms. Chan Yuet Kwai

Aged 50, 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, and a certified public accountant of Washington State in the United States. She also holds a master degree in business administration. Ms. Chan has extensive experience in the fields of auditing, accounting and finance. She has over 20 years' experience in serving as financial controller of Hong Kong listed companies. 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 2013.

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 the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") for the year ended 31 December 2013.

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 2013 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.

During the year ended 31 December 2013, 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, resigned on 31 December 2013)*
YUAN Shaoli	*(Vice Chairman before 31 December 2013, has been appointed as the Chairman of the Board, a member of the Remuneration Committee and the chairman of the Nomination Committee on 31 December 2013)*
WANG Hongxin	*(Managing Director)*
WANG Tianlin	

Independent non-executive Directors

CHANG Qing	*(member of Audit Committee)*
LEE Man Chun, Tony	*(Chairman of Remuneration Committee, member of Audit Committee and member of Nomination Committee, appointed on 1 November 2013)*
CHAN Sheung Lai	*(Chairman of Audit Committee, member of Remuneration Committee and member of Nomination Committee, appointed on 1 November 2013)*
KWONG Che Keung, Gordon	(Chairman of Audit Committee, member of Remuneration Committee and member of Nomination Committee, resigned on 1 November 2013)
TSUI Yiu Wa, Alec	(Chairman of Remuneration Committee, member of Audit Committee and member of Nomination Committee, resigned on 1 November 2013)

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

During the year ended 31 December 2013, 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 of the existing independent non-executive Directors 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.

During the year, the Nomination Committee recommended to the Board for appointment of Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai as the independent non-executive Directors. The Nomination Committee also recommended to the Board to appoint Mr. Yuan Shaoli as the Chairman of the Board after the resignation of Mr. Zhang Guotong.

All non-executive Directors were appointed for a fixed term.

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 diversity policy

The Company continuously seeks to enhance the effectiveness of the Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the Board. In August 2013, the Board adopted a Board Diversity Policy to comply with a new code provision of the Corporate Governance Code which was effective from 1 September 2013.

The Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, cultural and educational background, race, gender and other qualities. In informing its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time.

The composition, experience and balance of skills on the Board are regularly reviewed to ensure that the Board retains a core of members with longstanding knowledge of the Group alongside new Director(s) appointed from time to time who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee, which has been made on a merit basis. The Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

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 2013, six Board meetings were held, including four regular Board meetings.

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee held during the year ended 31 December 2013 is set out below:

	Number of Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
ZHANG Guotong *(Note 1)*	6/6	Not applicable	1/1	1/1
YUAN Shaoli *(Note 2)*	6/6	Not applicable	Not applicable	Not applicable
WANG Hongxin	6/6	Not applicable	Not applicable	Not applicable
WANG Tianlin	6/6	Not applicable	Not applicable	Not applicable
CHANG Qing	6/6	3/3	Not applicable	Not applicable
KWONG Che Keung, Gordon *(Note 3)*	5/6	2/3	1/1	1/1
TSUI Yiu Wa, Alec *(Note 4)*	5/6	2/3	1/1	1/1
LEE Man Chun, Tony *(Note 5)*	1/6	1/3	Not applicable	Not applicable
CHAN Sheung Lai *(Note 6)*	1/6	1/3	Not applicable	Not applicable

Notes:

1. Mr. Zhang Guotong resigned as an executive Director, chairman of Board and ceased to be a chairman of the Nomination Committee and a member of the Remuneration Committee on 31 December 2013.

2. Mr. Yuan Shaoli became the chairman of the board, chairman of the Nomination Committee and a member of the Remuneration Committee on 31 December 2013.

3. Mr. Kwong Che Keung, Gordon resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee, a member of Remuneration Committee and a member of Nomination Committee on 1 November 2013.

4. Mr. Tsui Yiu Wa, Alec resigned as an independent non-executive Director and ceased to be the chairman of the Remuneration Committee, a member of Audit Committee and a member of Nomination Committee on 1 November 2013.

5. Mr. Lee Man Chun, Tony appointed as an independent non-executive Director, chairman of Remuneration Committee, a member of Audit Committee and a member of Nomination Committee on 1 November 2013. The Remuneration Committee and the Nomination Committee had not held meeting from 1 November 2013 to 31 December 2013.

6. Mr. Chan Sheung Lai was appointed as an independent non-executive Director, chairman of Audit Committee, member of the Remuneration Committee and a member of Nomination Committee on 1 November 2013. The Remuneration Committee and the Nomination Committee had not held meeting from 1 November 2013 to 31 December 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

During the year ended 31 December 2013, 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.

Mr. Zhang Guotong, the Chairman, provided leadership and was 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 was 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. Mr. Zhang resigned as the Chairman of the Board and an executive Director on 31 December 2013. Mr. Yuan Shaoli is currently the Chairman of the Board.

Mr. 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

From 1 January 2013 to 31 October 2013, the Audit Committee comprised Mr. Kwong Che Keung, Gordon (chairman of the Audit Committee), Mr. Tsui Yiu Wa, Alec, and Mr. Chang Qing. Since 1 November 2013, the members of the Audit Committee are Mr. Chan Sheung Lai (chairman of the Audit Committee), Mr. Lee Man Chun, Tony, and Mr. Chang Qing. During the year, Mr. Kwong Che Keung, Gordon and Mr. Chan Sheung Lai were the 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 three meetings during the year ended 31 December 2013 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 annual results for the year ended 31 December 2012 and the interim results for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

From 1 January 2013 to 31 October 2013, the Remuneration Committee comprised two independent non-executive Directors and the then Chairman of the Board, namely, Mr. Tsui Yiu Wa, Alec (Chairman of the Remuneration Committee), Mr. Kwong Che Keung, Gordon and Mr. Zhang Guotong. From 1 November 2013 to 31 December 2013, the member of the Remuneration Committee were Mr. Lee Man Chun, Tony (Chairman of the Remuneration Committee), Mr. Chan Sheung Lai 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 2013 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 previous 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 (during the period from 1 January 2013 to 31 October 2013) and Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai (during the period from 1 November 2013 to 31 December 2013). 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 2013, the Nomination Committee held one meeting to discuss the re-election of Directors. The Nomination Committee also recommended to the Board to appoint Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai as independent non-executive Directors and to appoint Mr. Yuan Shaoli as the Chairman of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

In the year ended 31 December 2013, 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 2013.

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 inside 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 ensuring 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 on directors' training. During the year ended 31 December 2013, 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)
YUAN Shaoli	b
ZHANG Guotong (resigned on 31 December 2013)	b
WANG Hongxin	b
WANG Tianlin	b
CHANG Qing	b
LEE Man Chun, Tony (appointed on 1 November 2013)	b,c
CHAN Sheung Lai (appointed on 1 November 2013)	b,c
KWONG Che Keung, Grodon (resigned on 1 November 2013)	a, b, c
TSUI Yiu Wa, Alec (resigned on 1 November 2013)	a, b, c

Note: (a) corporate governance

(b) regulatory

(c) finance

(d) industry-specific

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITOR'S REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

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 26 to 27 in this annual report.

The remuneration to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2013 amounted to approximately HK$1,300,000 and HK$910,000 respectively. An analysis of the remuneration to the external auditor of the Company is set out below:

	Amount of Fee *(HK$'000)*
Audit services	1,300
Review on interim financial information	150
Other non-audit services (note)	760
Total	2,210

Note: mainly include professional fees in relation to certain major transactions of the Company 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 2013. 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 27 June 2013). The attendance record of such general meeting is as follows:

Name of Directors	Attendance
ZHANG Guotong *(resigned on 31 December 2013)*	✓
YUAN Shaoli	X
WANG Hongxin	✓
WANG Tianlin	✓
CHANG Qing	✓
KWONG Che Keung, Gordon *(resigned on 1 November 2013)*	✓
TSUI Yiu Wa, Alec *(resigned on 1 November 2013)*	✓
LEE Man Chun, Tony *(appointed on 1 November 2013)*	Not Applicable
CHAN Sheung Lai *(appointed on 1 November 2013)*	Not Applicable

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 2013.

The Directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2013.

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 financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on pages 28.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2013 (for the year ended 31 December 2012: 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 financial statements respectively.

SHARE CAPITAL

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

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 33 to 34.

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

As at 31 December 2013, the Company had no distributable reserve as calculated under Section 79B of the then prevailing Companies Ordinance (31 December 2012: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the five largest customers represented approximately 78.7% of the Group's total turnover. Sales to the largest customer accounted for approximately 62.5% 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 98.2% of the Group's total purchases. Purchases from the largest supplier accounted for 41.9% 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 2013.

DIRECTORS

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

Mr. YUAN Shaoli	*(Executive Director and Vice Chairman, before 31 December 2013; Chairman appointed on 31 December 2013)*
Mr. ZHANG Guotong	*(Executive Director and Chairman, resigned on 31 December 2013)*
Mr. WANG Hongxin	*(Executive Director and Managing Director)*
Mr. WANG Tianlin	*(Executive Director)*
Mr. ZHANG Bin	*(Executive Director, appointed on 30 January 3014)*
Mr. CHANG Qing	*(Independent non-executive Director)*
Mr. LEE Man Chun, Tony	*(Independent non-executive Director, appointed on 1 November 2013)*
Mr. CHAN Sheung Lai	*(Independent non-executive Director, appointed on 1 November 2013)*
Mr. KWONG Che Keung, Gordon	*(Independent non-executive Director, resigned on 1 November 2013)*
Mr. TSUI Yiu Wa, Alec	*(Independent non-executive Director, resigned on 1 November 2013)*

Particulars of the Directors are set out on pages 10 to 11.

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 of the existing independent non-executive Director an annual confirmation of his independence pursuant to 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 2013, 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 2013, 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 2013, 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)*	2,978,986,119 (L)	61.54%
China Chengtong Hong Kong Company Limited ("CCHK")	Controlled corporation *(Note 2)*	2,978,986,119 (L)	61.54%
China Chengtong Holdings Group Limited ("CCHG")	Controlled corporation *(Note 2)*	2,978,986,119 (L)	61.54%

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 2013, 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 8 May 2013, 誠通實業投資有限公司 (Chengtong Industrial Investment Limited) ("Chengtong Industrial"), an indirect wholly owned subsidiary of the Company, and 中國寰島(集團)公司 (China Huandao Group Co.) ("Borrower") entered into a loan agreement pursuant to which Chengtong Industrial agreed to provide a loan in the principal amount of RMB40,000,000 to the Borrower. The term of the loan commenced from 10 May 2013 and will end on 9 May 2014. The interest rate for the loan is 10% per annum. The Borrower is a company established in the PRC and a wholly-owned subsidiary of CCHG. The Borrower is an associate of CCHG and therefore, is a connected person of the Company. Further details of the loan agreement are set out in the Company's announcement dated 8 May 2013.

On 18 June 2013, 大豐瑞能燃料有限公司 (Dafeng Ruineng Fuel Company Limited) ("Dafeng Ruineng"), an indirect non-wholly owned subsidiary of the Company, entered into a sales contract with 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holding Group Company Limited) ("Jiangsu Dafeng"), pursuant to which Dafeng Ruineng has agreed to sell, and Jiangsu Dafeng has agreed to purchase, certain coal at the price of approximately RMB4,911,046.40. As Jiangsu Dafeng holds 33.33% interests in, and is a substantial shareholder of, the Company's non-wholly owned subsidiary, 誠通大豐海港開發有限公司 (Chengtong Dafeng Harbour Development Company Limited), Jiangsu Dafeng is a connected person of the Company. Further details of the sales contract are set out in the Company's announcement dated 18 June 2013.

On 11 October 2013, Dafeng Ruineng, an indirect non-wholly owned subsidiary of the Company, entered into a sales contract with 茂名市鴻遠貿易有限公司 (Maoming Hongyuan Trading Company Limited) ("Hongyuan"), pursuant to which Dafeng Ruineng has agreed to sell, and Hongyuan has agreed to purchase, certain coal at the price of approximately RMB33,215,000. As the spouse of one of the directors of Dafeng Ruineng holds 80% interests in, and is a substantial shareholder of, Hongyuan, Hongyuan is a connected person of the Company. Further details of the sales contract are set out in the Company's announcement dated 11 October 2013

The Directors confirm that the related party transactions during the year ended 31 December 2013 as disclosed in note 44(a) and 44(d) in the notes to the 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 2013 as disclosed in note 44(b) and 44(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 annual general meeting of the Company held on 27 June 2013, the Company has adopted a share option scheme, details of which are set out in note 40 to the financial statements. During the year, no option was granted, exercised, cancelled or lapsed. There was no option outstanding at the beginning and at the end of the year..

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 2013 and the past four financial years is set out on pages 103 to 104.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 have been audited by BDO Limited.

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

By order of the Board

Yuan Shaoli
Chairman

Hong Kong, 5 March 2014

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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 28 to 100, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 2013, 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, 5 March 2014

Consolidated Income Statement

For The Year Ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	6	**15,500,313**	8,626,661
Cost of sales		**(15,410,873)**	(8,444,597)
Gross profit		**89,440**	182,064
Other income	7	**433,316**	149,765
Selling expenses		**(19,031)**	(12,824)
Administrative expenses		**(147,797)**	(100,625)
Fair value gain on investment properties	17	**4,999**	10,455
Fair value gain upon properties held for sale transferred to investment properties	17	**665**	4,790
Fair value gain/(loss) on held-for-trading securities		**1,009**	(181)
Gain on disposal of non-current assets classified as held for sale	17	**101,244**	—
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries	43	**—**	122,234
Finance costs	8	**(317,372)**	(103,415)
Profit before income tax		**146,473**	252,263
Income tax expense	9	**(82,155)**	(43,127)
Profit for the year	10	**64,318**	209,136
Profit for the year attributable to:			
Owners of the Company		**50,727**	184,526
Non-controlling interests		**13,591**	24,610
		64,318	209,136
Earnings per share	13		
— Basic		**HK 1.05 cents**	HK 4.41 cents
— Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
Profit for the year	**64,318**	209,136
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of financial statements of foreign operations	**81,996**	10,631
Total comprehensive income for the year	**146,314**	219,767
Total comprehensive income attributable to		
Owners of the Company	**125,061**	193,532
Non-controlling interests	**21,253**	26,235
	146,314	219,767

Consolidated Statement of Financial Position

As At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**209,097**	145,752
Prepaid land lease payments	16	**54,496**	54,866
Investment properties	17	**187,760**	175,558
Deposits paid	20	**358,144**	338,850
		809,497	715,026
Current assets			
Properties held for sale	21	**111,641**	162,371
Properties under development	21	**283,996**	218,295
Properties held for development	22	**313,968**	303,601
Inventories	23	**5,583**	19,528
Trade and other receivables	24	**11,709,593**	6,504,106
Loans receivable under finance lease arrangement	25	**—**	12,552
Amount due from a non-controlling shareholder of a subsidiary	26	**20,488**	18,450
Loan to a related party	27	**50,880**	—
Prepaid land lease payments	16	**2,026**	1,960
Entrusted loan receivables	28	**363,744**	649,219
Held-for-trading securities	29	**2,108**	1,101
Derivative financial instruments	30	**—**	2,521
Short-term investments	31	**2,814,314**	104,550
Pledged bank deposits	32	**676,073**	355,895
Bank balances and cash	32	**2,557,297**	1,973,076
		18,911,711	10,327,225
Non-current assets classified as held for sale	36	**—**	83,320
Total current assets		**18,911,711**	10,410,545
Current liabilities			
Trade and other payables	33	**7,287,370**	2,943,433
Deposits received from sale of properties		**59,306**	21,051
Deposit received from disposal of an investment property	17	**—**	94,095
Taxation payable		**62,515**	21,474
Bank borrowings	34	**9,273,700**	5,194,634
Unsecured other loan	35	**600**	600
Corporate bonds	38	**761,528**	—
Total current liabilities		**17,445,019**	8,275,287
Net current assets		**1,466,692**	2,135,258
Total assets less current liabilities		**2,276,189**	2,850,284

	Notes	**2013** **HK$'000**	2012 HK$'000
Non-current liabilities			
Deferred tax liabilities	37	**58,569**	47,327
Corporate bonds	38	**—**	731,984
		58,569	779,311
Net assets		**2,217,620**	2,070,973
EQUITY			
Equity attributable to the owners of the Company			
Share capital	39	**484,074**	484,074
Share premium and reserves		**1,483,309**	1,357,915
		1,967,383	1,841,989
Non-controlling interests		**250,237**	228,984
Total equity		**2,217,620**	2,070,973

On behalf of the Board

Yuan Shaoli
DIRECTOR

Wang Hongxin
DIRECTOR

Statement of Financial Position

As At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	**1**	1
Amounts due from subsidiaries	18	**640,915**	666,032
		640,916	666,033
Current assets			
Other receivables, prepayments and deposits		**1,139**	1,589
Amounts due from subsidiaries	19	**1,197,674**	1,197,399
Bank balances and cash	32	**11,392**	69,347
		1,210,205	1,268,335
Current liabilities			
Other payables		**27,680**	54,362
Corporate bonds	38	**761,528**	—
		789,208	54,362
Net current assets		**420,997**	1,213,973
Total assets less current liabilities		**1,061,913**	1,880,006
Non-current liabilities			
Corporate bonds	38	**—**	731,984
Net assets		**1,061,913**	1,148,022
EQUITY			
Share capital	39	**484,074**	484,074
Share premium and reserves	41	**577,839**	663,948
Total equity		**1,061,913**	1,148,022

On behalf of the Board

Yuan Shaoli
DIRECTOR

Wang Hongxin
DIRECTOR

	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

	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 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
Transactions with owners:												
Employee share-based compensation benefits	–	–	–	–	–	–	333	–	–	333	–	333
Total transactions with owners	–	–	–	–	–	–	333	–	–	333	–	333
Profit for the year	–	–	–	–	–	–	–	–	50,727	50,727	13,591	64,318
Other comprehensive income:												
Exchange difference arising from translation of financial statements of foreign operations	–	–	–	–	240	–	–	74,094	–	74,334	7,662	81,996
Total comprehensive income for the year	–	–	–	–	240	–	–	74,094	50,727	125,061	21,253	146,314
Appropriation to statutory reserve	–	–	–	–	6,830	–	–	–	(6,830)	–	–	–
At 31 December 2013	484,074	738,740	1,400	2,814	18,942	(1,999)	702	165,401	557,309	1,967,383	250,237	2,217,620

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.

	2013 HK$'000	2012 HK$'000
Cash flows from operating activities		
Profit before income tax	146,473	252,263
Adjustments for:		
Interest income	(278,303)	(47,428)
Interest income from entrusted loan receivables	(84,757)	(79,468)
Investment income from derivative financial instruments	(24,860)	(2,964)
Interest expense	317,372	103,415
Depreciation of property, plant and equipment	14,344	1,328
Amortisation of prepaid land lease payments	2,244	—
Fair value gain on investment properties	(4,999)	(9,496)
Fair value gain upon properties held for sale transferred to investment properties	(665)	(4,790)
Fair value gain on non-current assets classified as held for sale	—	(959)
Fair value gain on derivative financial instruments	—	(2,521)
Fair value (gain)/loss on held-for-trading securities	(1,009)	181
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries	—	(122,234)
Gain on disposal of non-current assets classified as held for sales	(101,244)	—
Loss on disposal of property, plant and equipment	144	93
Written off of property, plant and equipment	273	—
Provision for inventories	1,462	5,476
Impairment of prepayment	17,954	—
Written back of accruals and other payables	—	(3,913)
Employee share-based compensation	333	369
Operating profit before working capital changes	4,762	89,352
Increase in properties under development	(58,122)	(46,381)
Decrease in properties held for sale	55,731	72,990
Decrease in inventories	12,483	56,617
Increase in trade and other receivables	(4,894,198)	(5,708,431)
Decrease in loans receivable under finance lease arrangement	12,552	10,252
Increase in trade and other payables	4,226,172	2,792,209
Increase in deposits received on sale of properties	38,255	6,478
Cash used in operations	(602,365)	(2,726,914)
The PRC enterprise income tax paid	(29,628)	(25,127)
The PRC land appreciation tax paid	(2,593)	(2,318)
Net cash used in operating activities	(634,586)	(2,754,359)

	Note	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Interest received		168,413	18,973
Interest from entrusted loan receivables received		83,533	79,468
Acquisition of subsidiaries	43	—	17,791
Deposits paid for acquisition of subsidiaries		—	(325,950)
Proceeds from disposal of non-current assets classified as held for sale		96,696	—
Purchase of short-term investments		(4,116,842)	—
Settlement of short-term investments		1,410,648	328,404
Decrease/(increase) in entrusted loan receivables		308,867	(535,505)
Advance to a related party		(50,880)	—
Purchase of property, plant and equipment		(70,092)	(2,299)
Proceeds from disposal of property, plant and equipment		559	333
Deposits paid for acquisition of property, plant and equipment		(11,448)	—
Repayment from a non-controlling shareholder of a subsidiary		—	269
Decrease in restricted bank balance		—	4,200
Investment income received from derivative financial instruments		27,467	2,964
Increase in pledged bank deposits		(318,505)	(355,895)
Net cash used in investing activities		(2,471,584)	(767,247)
Cash flows from financing activities			
Interest paid		(237,639)	(54,447)
Shares purchased for share award scheme		—	(1,999)
Cash flows from discounted bills with recourse		4,245,129	4,246,705
New bank loans raised		5,627	352,792
Deposits received from buyers on disposal of subsidiaries		16,536	43,050
Repayment to a non-controlling shareholder of a subsidiary		—	(549)
Repayment on deposit received from a buyer on a partial disposal of a subsidiary		(43,050)	—
Repayment of bank loans		(358,323)	(49,200)
Net cash generated from financing activities		3,628,280	4,536,352
Net increase in cash and cash equivalents		522,110	1,014,746
Cash and cash equivalents at beginning of year		1,973,076	948,829
Effect of foreign exchange rate changes		62,111	9,501
Cash and cash equivalents at end of year, representing bank balances and cash		2,557,297	1,973,076

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 2013, 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 2013 were approved for issue by the board of directors on 5 March 2014.

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 2013:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements

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.

HKFRSs (Amendments) - Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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

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

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 and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to HKFRS 7 – Disclosures – offsetting financial assets and financial liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Some of the disclosures are specifically required for financial instruments in the consolidated financial statements. The Group has provided those disclosures in note 51.

HKFRS 10 - Consolidated 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 accounting requirements in the existing HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption of the standard does not change the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12 - Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in note 18. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

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

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

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 is applied prospectively.

The standard requires additional disclosures about fair value measurements and these are included in notes 17 and 46. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

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.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Financial Instruments: Recognition and measurement –novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) Interpretation 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 - Offsetting Financial Assets and Financial Liabilities

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

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 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.

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 consolidated 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 consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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 investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4.4 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' carrying 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.

The gain or loss arising on 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Foreign currencies translation *(Continued)*

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.

4.6 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Property, plant and equipment *(Continued)*

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.

4.8 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4.12 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

(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.

(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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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), the net income from the contracts is recognised as revenue.

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 and marine travelling services is recognised upon the provision of the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition *(Continued)*

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.

4.15 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Income taxes *(Continued)*

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.

4.16 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4.19 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 (the employee share-based compensation 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 the employee share-based compensation 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 employee share-based compensation reserve will be transferred to accumulated profits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share award scheme

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share-based compensation 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.

4.21 Impairment losses of non-financial assets

Property, plant and equipment, prepaid land lease payments 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 non-financial 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 non-current assets classified as held for sale 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, 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.

Segment assets of property investment segment include investment properties but segment results exclude the related fair value changes and gain or loss on disposal of investment properties for the year.

Save as the aforementioned, no asymmetrical allocations have been applied to reportable segments.

4.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.24 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.

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

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.

5.3 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 loans 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. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.8 Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

5.9 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. 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.

5.10 Fair value measurement

A number of assets included in the Group's financial statements require measurement at, and / or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1 valuations:	Quoted prices in active markets for identical items (unadjusted);
Level 2 valuations:	Observable direct or indirect inputs other than Level 1 inputs;
Level 3 valuations:	Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties *(note 17)*
- Held-for trading securities *(note 29)*
- Derivative financial instruments *(note 30)*
- Non-current assets classified as held for sale *(note 36)*

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

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 2013

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

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2013 *(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	81	402	506	246	270,754	258	1,313	273,560
Depreciation	—	(322)	(185)	(7)	(789)	(12,783)	(258)	(14,344)
Allowance for impairment of inventories	—	—	—	—	—	(1,462)	—	(1,462)
Finance costs	—	—	—	—	(275,340)	—	(42,032)	(317,372)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance								
Fair value gain on investment properties	4,999	—	—	—	—	—	—	4,999
Fair value gain upon properties held for sale transferred to investment properties	665	—	—	—	—	—	—	665

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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 inventories	—	—	—	(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

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 non-current assets classified as held for sale, fair value change of investment properties and held-for-trading securities and finance cost of corporate bonds and interest on deposit received from a buyer in a partial disposal of a subsidiary. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2013 HK$'000	2012 HK$'000
Segment assets		
Property investment *	187,760	444,825
Property development	784,627	769,179
Financial leasing	135,226	22,196
Trading of coal	52,258	19,079
Bulk commodity trade	17,592,570	8,477,871
Hotel and marine travelling services	227,666	244,122
Total segment assets	18,980,107	9,977,272
Unallocated		
— entrusted loan receivables	363,744	649,219
— other unallocated assets	341,918	422,385
— bank balances and cash	35,439	76,695
Consolidated assets	19,721,208	11,125,571
Segment liabilities		
Property investment	23,510	113,998
Property development	105,740	81,613
Financial leasing	1,973	2,087
Trading of coal	8,725	8,321
Bulk commodity trade	16,516,491	8,013,575
Hotel and marine travelling services	36,801	39,045
Total segment liabilities	16,693,240	8,258,639
Corporate bonds	761,528	731,984
Deposits received from buyers on disposal of subsidiaries	16,536	43,050
Unallocated	32,284	20,925
Consolidated liabilities	17,503,588	9,054,598

* Segment assets of property investment segment include investment properties but segment results exclude the related fair value gain of HK$5,664,000 (2012: HK$15,245,000) and gain on disposal of investment properties of HK$101,244,000 (2012: Nil) for the year.

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, entrusted loan receivables and 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, deposits received from buyers on disposal of subsidiaries, 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 2013

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)	—	14	—	—	67,106	6,339	357	73,816

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

Other segment information

The Group's significant operations, external customers and non-current assets (other than financial assets) during the years ended 31 December 2013 and 2012 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)	
	2013 *HK$'000*	2012 *HK$'000*	**2013** *HK$'000*	2012 *HK$'000*
Hong Kong	**10,559,017**	3,988,911	**816**	763
The PRC	**4,941,296**	4,637,750	**450,537**	375,413
	15,500,313	8,626,661	**451,353**	376,176

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:

	2013 HK$'000	2012 HK$'000
Customer A *(note 1)*	—	2,950,630
Customer B *(note 2)*	9,691,889	4,148,114
	9,691,889	7,098,744

Notes:

1. This is a customer for bulk commodity trade business for the year ended 31 December 2012 and revenue from this customer contributed less than 10% of the total turnover of the Group for the year ended 31 December 2013.

2. This is a customer for bulk commodity trade business.

Turnover from major products and services

	2013 HK$'000	2012 HK$'000
Rental income	2,009	2,156
Sales of properties	71,168	83,158
Service income from financial leasing*	962	11,420
Sales of coal	81,116	—
Bulk commodity trade	15,283,607	8,527,224
Hotel and marine travelling services	61,451	2,703
	15,500,313	8,626,661

* Service income from financial leasing included interest income for the year ended 31 December 2013 (2012: 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 was included in the service income from financial leasing).

7. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Interest income from bank deposits and short-term investments	273,560	44,032
Interest income from entrusted loan receivables	84,757	79,468
Interest income from a related party *(note 27)*	3,335	—
Interest income from a non-controlling shareholder of a subsidiary *(note 26)*	1,408	3,396
Commission income from procurement services related to coal trading and arranging bulk commodity trade	70	6,050
Fair value gain on derivative financial instruments	—	2,521
Investment income on derivative financial instruments	24,860	2,964
Exchange gain	45,197	—
Others	129	4,689
Overdue charges under finance lease arrangements	—	2,732
Written back of accruals and other payables	—	3,913
	433,316	149,765

8. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on corporate bonds	**38,076**	37,327
Interest on notes payable	**5,911**	—
Interest on bank and other borrowings wholly repayable within five years	**33,641**	8,120
Interest on discounted bills with recourse	**235,837**	62,081
Interest on deposit received from a buyer in a partial disposal of a subsidiary	**3,956**	—
	317,421	107,528
Less : Amounts capitalised to properties under development	**(49)**	(4,113)
	317,372	103,415

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%. 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.

	2013	2012
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong	**7,064**	14,768
PRC EIT	**64,928**	23,116
PRC LAT	**467**	149
	72,459	38,033
Under-provision in prior years:		
PRC EIT	**70**	190
Deferred taxation *(note 37)*		
Current year charge	**9,626**	4,904
Taxation charge for the year	**82,155**	43,127

9. INCOME TAX EXPENSE *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Profit before income tax	**146,473**	252,263
Tax calculated at PRC EIT rate of 25% (2012: 25%)	**36,618**	63,066
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**(3,749)**	(7,526)
PRC LAT	**467**	149
Tax effect of expenses not deductible for tax purposes	**36,848**	19,809
Tax effect of income not taxable for tax purposes	**(7,585)**	(39,752)
Tax effect of tax losses not recognised	**8,209**	6,204
Tax effect of temporary difference not recognised	**(94)**	—
Utilisation of tax losses previously not recognised	**—**	(106)
Withholding tax for undistributed profits of PRC subsidiaries	**11,371**	1,093
Under-provision in prior years	**70**	190
Income tax expense	**82,155**	43,127

10. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit for the year is arrived at after charging/(crediting):		
Auditor's remuneration	**1,300**	700
Amortisation of prepaid land lease payments	**2,244**	—
Depreciation of property, plant and equipment	**14,468**	1,464
Less : Amounts capitalised in properties under development	**(124)**	(136)
	14,344	1,328
Minimum lease payments in respect of rented premises	**4,771**	4,452
Contributions to retirement benefits schemes (including directors' emoluments)	**2,901**	1,509
Staff costs (including directors' emoluments)	**39,308**	26,576
Total staff costs	**42,209**	28,085
Less : Amounts capitalised in properties under development	**(1,616)**	(1,622)
	40,593	26,463
Cost of inventories recognised as expenses	**15,398,956**	8,439,121
Exchange (gain)/loss	**(45,197)**	6,445
Provision for inventories *	**1,462**	5,476
Loss on disposal of property, plant and equipment	**144**	93
Written off of property, plant and equipment	**273**	—
Impairment of prepayment	**17,954**	—

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

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the directors were as follows:

For the year ended 31 December 2013

	Zhang Guotong (resigned with effect from 31 December 2013) *HK$'000*	Yuan Shaoli *HK$'000*	Wang Hongxin *HK$'000*	Wang Tianlin *HK$'000*	Kwong Che Keung, Gordon (resigned with effect from 1 November 2013) *HK$'000*	Tsui Yiu Wa, Alec (resigned with effect from 1 November 2013) *HK$'000*	Chang Qing (appointed with effect from 1 January 2013) *HK$'000*	Lee Man Chun, Tony (appointed with effect from 1 November 2013) *HK$'000*	Chan Sheung Lai (appointed with effect from 1 November 2013) *HK$'000*	Total *HK$'000*
Fees	360	240	240	240	300	300	150	25	25	1,880
Salaries	1,068	672	826	101	–	–	–	–	–	2,667
Performance-based bonus *(Note)*	339	289	339	215	–	–	–	–	–	1,182
Share-based compensation	–	39	78	52	–	–	–	–	–	169
Contribution to retirement benefits schemes	116	101	116	24	–	–	–	–	–	357
Total emoluments	1,883	1,341	1,599	632	300	300	150	25	25	6,255

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

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.

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2012: four) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining two (2012: one) individual(s) were as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and other benefits	**1,735**	970
Performance-based bonus	**289**	131
Share-based compensation	**26**	29
Contributions to retirement benefits schemes	**30**	14
	2,080	1,144

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

	2013	2012
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**1**	1
	2	1

During the years ended 31 December 2013 and 2012, no remunerations were paid by the Group to the directors or the two (2012: one) 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

No dividend in respect of the years ended 31 December 2013 and 2012 was proposed during the years ended 31 December 2013 and 2012, 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 attributable to the owners of the Company of HK$50,727,000 (2012: HK$184,526,000) and on the weighted average number of 4,840,735,000 (2012: 4,183,807,713) 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 14% to 20% (2012: 17% 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 2013, contributions totalling of HK$2,901,000 (2012: HK$1,509,000) were charged to the profit or loss for the year.

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 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
Currency realignment	2,692	267	1,346	115	633	55	5,108
Additions	66,825	311	6,337	—	—	343	73,816
Disposals	—	—	(3,339)	—	—	—	(3,339)
Written off	(287)	—	—	—	—	—	(287)
At 31 December 2013	148,058	11,229	43,991	3,480	19,163	2,003	227,924

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

THE GROUP (Continued)

Accumulated depreciation and impairment	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
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
Currency realignment	—	38	79	18	—	—	135
Provided for the year	3,235	1,497	7,029	175	2,532	—	14,468
Eliminated on disposals	—	—	(2,636)	—	—	—	(2,636)
Eliminated on written off	(14)	—	—	—	—	—	(14)
At 31 December 2013	3,221	5,353	6,998	723	2,532	—	18,827
Carrying amounts							
At 31 December 2013	144,837	5,876	36,993	2,757	16,631	2,003	209,097
At 31 December 2012	78,828	6,833	37,121	2,835	18,530	1,605	145,752

16. PREPAID LAND LEASE PAYMENTS

	THE GROUP 2013 HK$'000	2012 HK$'000
Leasehold land outside Hong Kong:		
— Medium-term leases	**56,522**	56,826

	THE GROUP 2013 HK$'000	2012 HK$'000
Opening net carrying amount	**56,826**	—
Acquisition of subsidiaries *(note 43)*	**—**	56,826
Amortisation charge for the year	**(2,244)**	—
Currency realignment	**1,940**	—
Closing net carrying amount	**56,522**	56,826
Analysed for reporting purposes as:		
Current assets	**2,026**	1,960
Non-current assets	**54,496**	54,866
	56,522	56,826

As at 31 December 2013 and 2012, 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.

17. INVESTMENT PROPERTIES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
At fair value		
At 1 January	**175,558**	237,741
Currency realignment	**5,995**	1,949
Gain on change in fair value recognised in profit or loss	**4,999**	10,455
Transfer to non-current assets classified as held for sale *(note 36)*	**—**	(83,320)
Reclassified from properties held for sale	**1,208**	8,733
At 31 December	**187,760**	175,558

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

The fair values of the Group's investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited, an independent qualified professional valuer. B.I. Appraisals Limited is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

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$665,000 (2012: HK$4,790,000) is recognised in profit or loss for the year ended 31 December 2013.

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$190,791,000). 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 Land was classified as non-current assets classified as held for sale in accordance with HKFRS 5, 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 transfer of the title of the Land was completed during the year ended 31 December 2013. Gain on disposal of the Land (being classified as non-current assets classified as held for sale) of HK$101,244,000 (2012: Nil) was recognised in the profit or loss for the year ended 31 December 2013.

17. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

	Fair value measurement as at 31 December 2013			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Fair value as at 31 December 2013** *HK$'000*
Recurring fair value measurement				
Investment properties:				
Land – the PRC	—	—	77,832	77,832
Property units – the PRC	—	—	109,928	109,928

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of investment properties is a Level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2013 *HK$'000*
Opening balance (Level 3 recurring fair value)	**175,558**
Currency realignment	**5,995**
Fair value change	**4,999**
Reclassified from properties held for sale	**1,208**
Closing balance (Level 3 recurring fair value)	**187,760**
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	**5,664**

Information about Level 3 fair value measurement – Land and property units in the PRC

The fair value of land and property units in the PRC was determined based on either the direct comparison method or investment method.

For the fair value measurement for land and property units under direct comparison method, it is assumed that each of the properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

One of the key inputs used under direct comparison method in valuing the investment properties was the adjustment factors in relation to the quality of the Group's land and property units. These adjustment factors are based on unobservable inputs. Higher adverse adjustments on the quality investment properties will result in a lower fair value measurement, and vice versa.

17. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Information about Level 3 fair value measurement – Land and property units in the PRC *(Continued)*

Significant unobservable inputs	Range
Adjustment on quality of land and property units under direct comparison method	49% – 80%

For the fair value measurement for property units under investment method, the fair value was determined by taking into account the current rents passing and the reversionary income potential of respective portions of such properties.

The valuation takes account of expected term yield and reversionary yield of the property units. The term yield and reversionary yield have been based on the actual location, type and quality of the properties and supported by the terms of the existence lease, other contracts and external evidence such as current market rents for similar properties.

One of the key inputs used in valuing the investment properties was the discount rates used, which was 6% per annum. An increase in the discount rate used would result in a decrease in fair value measurement of the investment properties, and vice versa.

There has been no change in the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

18. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,001**	1,001
Less : Impairment	**(1,000)**	(1,000)
	1	1
Amounts due from subsidiaries	**640,915**	666,032

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.

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

Particulars of the principal subsidiaries at 31 December 2013 and 2012 are as follows:

Company	Place of incorporation/ operations	Total paid-up capital/issued share capital 2013	2012	Equity interest owned by the Company 2013 %	2012 %	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 (「鳳凰置地」) **	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*	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遊有限公司**	The PRC	RMB96,000,000	RMB96,000,000	100	100	Provision of marine travelling services
海南寰島海底世界酒店有限公司**	The PRC	RMB8,000,000	RMB8,000,000	100	100	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.

Note: 誠通大豐海港開發有限公司 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.

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

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

None of the subsidiaries had any debt securities at 31 December 2013 and 2012 or at any time during the year.

The following table lists out the information relating to Chengtong Development International Trading Limited, 誠通大豐海港開發有限公司 and 杭州瑞能金屬材料有限公司, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company eliminations.

	Chengtong Development International Trading Limited		誠通大豐海港開發有限公司		杭州瑞能金屬材料有限公司	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
As at 31 December						
NCI percentage	**45%**	45%	**33.33%**	33.33%	**45%**	45%
Current assets	**11,676,350**	6,464,942	**660,374**	641,356	**4,291,848**	1,745,204
Non-current assets	**697**	615	**2,951**	3,180	**572**	740
Current liabilities	**(11,539,518)**	(6,371,971)	**(257,555)**	(242,625)	**(4,231,100)**	(1,683,266)
Non-current liabilities	**—**	—	**—**	—	**—**	—
Net assets	**137,529**	93,586	**405,770**	401,911	**61,320**	62,678
Carrying amount of NCI	**61,888**	42,114	**135,243**	133,957	**27,594**	28,205
For the year ended 31 December						
Revenue	**11,766,441**	1,418,286	**—**	5,973	**7,488,660**	221,279
Profit/(loss) for the year	**37,025**	74,412	**(9,785)**	(240)	**578**	1,565
Total comprehensive income	**43,942**	74,871	**3,859**	3,010	**(1,357)**	1,674
Profit/(loss) allocated to NCI	**16,661**	33,485	**(3,261)**	(80)	**260**	704
For the year ended 31 December						
Cash flows from operating activities	**(3,972,196)**	(4,206,874)	**(8,297)**	(136,242)	**2,773,538**	1,268,482
Cash flows from investing activities	**427,571**	(351,391)	**19**	3,915	**(2,737,948)**	(799)
Cash flows from financing activities	**3,692,947**	4,561,479	**(12,769)**	(41,013)	**(7,814)**	—
Net cash inflows/(outflows)	**148,322**	3,214	**(21,047)**	(173,340)	**27,776**	1,267,683

19. AMOUNTS DUE FROM SUBSIDIARIES

As at 31 December 2013, except for a loan to a subsidiary of HK$10,036,000 which carries fixed interest at 6.5% per annum, 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.

As at 31 December 2012, 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	
	2013	2012
	HK$'000	*HK$'000*
Deposits paid for acquisition of 85% (2012: 82%) of the equity interests in Alpha Fortune Industrial Limited (note)	**337,080**	325,950
Deposits paid for acquisition of property, plant and equipment	**21,064**	12,900
	358,144	338,850

Note:

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

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 has 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 has negotiated with the Vendors regarding (i) the refund of the deposits; and (ii) a new proposal for the Acquisition.

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

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

As of 31 December 2013, the Group has paid cash of RMB265,000,000 (equivalent to approximately to HK$337,080,000) to the Vendors as earnest and advance payment pursuant to the payment schedule as specified in the Framework Agreement. The consideration under the Sale and Purchase Agreement will be settled by (i) cash of approximately RMB155,332,000 (equivalent to approximately HK$197,582,000), (ii) issuance of consideration shares of approximately RMB23,586,000 (equivalent to approximately HK$30,001,000) at the issue price of HK$0.36 per share and (iii) setting off of debt of approximately RMB269,682,000 (equivalent to approximately HK$343,036,000), which includes the earnest and advance payment totalling RMB265,000,000 (equivalent to approximately HK$337,080,000).

The Acquisition has not yet been completed as of 31 December 2013 and the date that the board of directors approved the financial statements for issue.

Details in relation to the Framework Agreement, the termination of the Framework Agreement and the Sale and Purchase Agreement are set out in the Company's announcements dated 21 August 2012, 6 February 2013, 24 June 2013 and 31 October 2013 respectively.

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 will be 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 2013, no property held for development was pledged to secure banking facilities granted to the Group (2012: HK$109,470,000).

23. INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Coal	**—**	12,773
Merchandises and consumables	**5,583**	6,755
	5,583	19,528

24. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**38,043**	455,316
Bills receivable from bulk commodity trade *(note (b))*	**11,498,904**	6,004,050
Trade and bills receivable	**11,536,947**	6,459,366
Prepayments and deposits *(note (c))*	**19,291**	6,127
Other receivables	**153,355**	38,613
Total trade and other receivables	**11,709,593**	6,504,106

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) As at 31 December 2013, trade receivables mainly arose from sales of coal. There is no credit period granted to customers of coal trading business.

As at 31 December 2012, trade receivables mainly arose from sales of coal and bulk commodity trade. There is a 7 days and a 2 to 15 days credit period granted to certain customers of coal trading business and bulk commodity trade business respectively.

As at 31 December 2013 and 2012, bulk commodity trading was mainly settled by cash or bills issued by PRC banks which are receivable in 1 year from the date of issuance.

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

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

	2013 ***HK$'000***	2012 *HK$'000*
Within three months	**38,043**	455,316

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

	2013 ***HK$'000***	2012 *HK$'000*
Less than one month past due	**37,991**	—
One to three months past due	**52**	455,316
	38,043	455,316

As at 31 December 2013, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$38,043,000 (2012: HK$455,316,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the directors are of the view that such receivables can be fully recovered. The Group does not hold any collateral over these balances.

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

These banker's acceptances are issued to the Group and are due within 1 year (2012: 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 2013, HK$9,481,204,000 (2012: HK$4,919,862,000) of the bills receivable have been discounted to the banks with recourse. The Group is committed to underwrite any of the bills receivable that have been discounted and therefore continues to recognise these as bills receivable until the banks collect the debts. The proceeds from bills receivable that have been discounted to banks of HK$9,264,430,000 (2012: HK$4,841,842,000) are included in bank borrowings (note 34) until the debts are collected or the Group makes good any losses suffered by the banks.

(c) As at 31 December 2013, the balances included prepayment for purchases of coal amounted to HK$10,176,000 (2012: prepayment for purchases of bulk commodity trade of HK$3,548,000).

25. LOANS RECEIVABLE UNDER FINANCE LEASE ARRANGEMENT

As at 31 December 2013, the loans receivable under the finance lease arrangement were fully settled.

During the year ended 31 December 2012, 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) and leased back the equipment with the lease period of 3 years from the date of inception. 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 and the interest accrued under the finance lease arrangement.

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise amounts receivable:				
Within one year	—	13,483	—	12,552
Less : Unearned finance income	—	(931)	—	—
Present value of minimum lease payment receivables	—	12,552	—	12,552
Analysed for reporting purposes as:				
Current assets			—	12,552
Non-current assets			—	—
			—	12,552

As at 31 December 2012, effective interest rates ranged from approximately 8.81% to 16.19% per annum.

As at 31 December 2012, the receivable under the finance lease arrangement is secured by the leased equipment and the Group has guarantees provided by the 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.

As at 31 December 2012, the fair value of receivable under the 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% (2012: 7.38%) per annum, which is 120% of the benchmark rate offered by the People's Bank of China. During the year, the Group has interest income of HK$1,408,000 (2012: HK$3,396,000) from this non-controlling shareholder of a subsidiary.

27. LOAN TO A RELATED PARTY

In May 2013, the Group arranged a short-term loan to 中國寰島(集團)公司, a wholly-owned subsidiary of CCHG, in a principal amount of RMB40,000,000 (equivalent to approximately HK$50,880,000) which bears interest at 10% per annum, secured by certain listed securities investments held by 中國寰島(集團)公司 and repayable on 9 May 2014. During the year, the Group has interest income of HK$3,335,000 (2012: Nil) from this related party.

28. ENTRUSTED LOAN RECEIVABLES

As at 31 December 2013, the Group had entered into five (2012: five) entrusted loan arrangements with financial institutions, in which the Group acted as the entrusting parties and the financial institutions acted as the lenders to provide funding to specified borrowers. Details of the entrusted loan receivables are as follows:

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Entrusted loan receivables:		
Principal	**362,520**	645,750
Interest receivables	**1,224**	3,469
	363,744	649,219
Receivable within one year	**363,744**	649,219

As at 31 December 2013 and 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 12% to 14% (2012: ranged from 10% to 18.5%).

As at 31 December 2013 and 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.

29. HELD-FOR-TRADING SECURITIES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Held-for-trading securities		
Equity securities listed in Hong Kong	**2,108**	1,101

30. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Derivative financial instruments		
Foreign exchange forward contracts, at fair value *(Note)*	**—**	2,521

Note: As at 31 December 2012, the forward currency contracts are denominated in RMB with maturity in less than one year.

31. SHORT-TERM INVESTMENTS

During the years ended 31 December 2013 and 2012, the Group purchased short-term investments from major banks in the PRC.

Within the short-term investments as at 31 December 2013, balance of HK$6,360,000 (2012: HK$92,250,000) was not subject to maturity and balance of HK$2,807,954,000 was subject to maturity of 1 year (At 31 December 2012: 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 3.0% to 5.0% per annum (2012: 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 at 31 December 2013, short-term investments of HK$2,807,954,000 (At 31 December 2012: Nil) were pledged to secure bills payable of the Group (note 33 (d)).

32. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash				
Cash at banks and in hand	**2,557,297**	1,973,076	**11,392**	69,347
Pledged bank deposits				
Deposits pledged against banking facilities granted to mortgagees	**1,473**	2,724	**—**	—
Deposits pledged to secure short-term bank loans *(note 34)*	**1,746**	353,171	**—**	—
Deposits pledged to bills payable	**672,854**	—	**—**	—
	676,073	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 and bank balances deposited in Hong Kong banks carry interest ranged from 0.01% to 3.12% (2012: from 0.001% to 3.05%) 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$2,373,057,000 (2012: HK$804,488,000) 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.

As disclosed in note 51 to the financial statements, as at 31 December 2013, gross amount of pledged bank deposits of HK$3,798,218,000 was subject to enforceable netting arrangements. The amounts are offsetting with bills payable and bank borrowings and the net amount of pledged bank deposits of HK$676,073,000 was presented in the consolidated statement of financial position as at 31 December 2013.

The Group had no offsetting arrangement on pledged bank deposits as at 31 December 2012.

33. TRADE AND OTHER PAYABLES

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**6,387**	11,905
Other payables and accruals	**157,842**	93,072
Deposits received from buyers on disposal of subsidiaries *(note (b))*	**16,536**	43,050
Bills payable for purchase of bulk commodity *(note (c))*	**7,078,160**	2,755,038
Accrual of construction costs	**28,445**	40,368
	7,287,370	2,943,433

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	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**4,676**	8,800
Over one year but less than two years	**1,711**	3,105
	6,387	11,905

(b) **For the year ended 31 December 2013**

On 25 July 2013, the Group entered into a memorandum with an independent third party and intended to sell the entire issued capital of a subsidiary, Chengtong Enterprise Investment Limited (誠通實業投資有限公司) and certain of its subsidiaries (collectively referred to as the "Chengtong Enterprise Group"), at a preliminary purchase price amounted to RMB150,000,000 (equivalent to approximately HK$190,800,000). As at 31 December 2013, the Group has received RMB3,000,000 (equivalent to approximately HK$3,816,000) as earnest money from the purchaser and the purchaser has the exclusive right to purchase Chengtong Enterprise Group. The possible disposal constituted a discloseable transaction under the Listing Rules. The formal agreement is not yet signed as of the date that the board of directors approved the financial statements for issue. Details of the possible disposal of Chengtong Enterprise Group are set out in the Company's announcement dated 25 July 2013.

On 19 November 2013, the Group entered into a memorandum with an independent third party and intended to sell the entire issued capital of a subsidiary, Chengtong Dafeng Harbour Development Limited (誠通大豐海港開發有限公司), at a preliminary purchase price amounted to RMB320,000,000 (equivalent to approximately HK$407,040,000). As at 31 December 2013, the Group has received RMB10,000,000 (equivalent to approximately HK$12,720,000) as earnest money from the purchaser. The formal agreement is not yet signed as of the date that the board of directors approved the financial statements for issue.

For the year ended 31 December 2012

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 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, Chengtong Enterprise Investment Limited 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 incorporated in 2012 and remained inactive during years ended 31 December 2012 and 2013.

On 28 February 2013, the Group entered into a cancellation agreement with the buyer to terminate the disposal of 12% interest in Chengtong Enterprise Investment Limited by the Group.

As at 31 December 2013, the Group refunded the deposit received from the buyer of RMB35,000,000 (equivalent to approximately HK$43,050,000) and paid fund usage charges of RMB3,200,000 (equivalent to approximately HK$3,956,000) 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.

33. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

(c) As disclosed in note 51 to the financial statements, gross amount of bills payable of HK$2,138,484,000 was subject to enforceable netting arrangements as at 31 December 2013. The amounts are offsetting with pledged bank deposits and the net amount of bills payable of HK$7,078,160,000 was presented in the consolidated statement of financial position as at 31 December 2013.

The Group had no offsetting of bills payable as at 31 December 2012.

(d) As at 31 December 2013, gross amount of bills payable of approximately HK$6,512,870,000 were secured by gross bank deposits and short-term investments of approximately HK$2,765,927,000 and HK$2,807,954,000 respectively. As at 31 December 2012, all the bills payable were unsecured.

As at 31 December 2013, the ultimate holding company, CCHG, has provided corporate guarantees amounted to HK$1,356,000,000 (2012: HK$1,265,100,000) to the banks in respect of the banking facilities granted to the subsidiaries of the Group in relation to the bills payable. As at 31 December 2013, the amount of these corporate guarantees which has been utilised for bills payable was amounted to HK$1,353,730,000 (2012: HK$831,288,000).

As at 31 December 2013, the Company has provided corporate guarantees amounted to HK$356,160,000 (2012: Nil) to the banks in respect of the banking facilities granted to the subsidiaries of the Group in relation to the bills payable. As at 31 December 2013, the amount of these corporate guarantees which has been utilised for bills payable was amounted to HK$63,600,000 (2012: Nil).

34. BANK BORROWINGS

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Secured bank borrowings		
Discounted bills with recourse *(note 24) (note (a))*	**9,264,430**	4,841,842
Short-term bank loans *(note (b))*	**9,270**	352,792
	9,273,700	5,194,634

(a) As at 31 December 2013, HK$9,481,204,000 (2012: HK$4,919,862,000) of the bills receivable have been discounted to banks with recourse to facilitate the operation of the bulk commodity trade. Accordingly, the Group continues to include these discounted bills receivable and has recognised the cash received as bank borrowings. Discounted bills with recourse are interest bearing at fixed rate with a range from 0.90% to 3.85% (2012: 1.11% to 3.90%) 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$309,197,000 (2012: HK$175,059,000) and unamortised portion of finance cost in relation to these discounted bills as at 31 December 2013 amounting to HK$86,894,000 (2012: HK$118,060,000) will be charged to profit or loss in 2014. The interest rate is determined at the date of inception. All discounted bills with recourse are secured by bills receivables as at 31 December 2013 and 2012.

As at 31 December 2013, the Company has provided corporate guarantees amounted to HK$5,803,803,000 (2012: HK$4,067,792,000) 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 2013, the amount of these corporate guarantees which has been utilised for discounted bills with recourse was amounted to HK$2,739,071,000 (2012: HK$3,329,153,000).

(b) As disclosed in note 51 to the financial statements, gross amount of bank borrowings of HK$1,712,669,000 was subject to enforceable netting arrangements as at 31 December 2013. The amounts are offsetting with pledged bank deposits and the net amount of bank borrowings of HK$9,270,000 was presented in the consolidated statement of financial position as at 31 December 2013.

The Group had no offsetting of bank borrowings as at 31 December 2012.

As at the reporting date, short-term bank loans were secured by:

— As at 31 December 2013, gross amount of short-term bank loans of approximately HK$1,712,669,000 (At 31 December 2012: HK$340,492,000) were secured by pledged bank deposits with gross amounts of approximately HK$1,705,146,000 (At 31 December 2012: HK$353,171,000).

— As at 31 December 2012, a short-term bank loan of approximately HK$12,300,000 were secured by the land use right included in properties held for development with carrying amount of approximately HK$109,470,000. The loan was repaid and the pledge was released as at 31 December 2013.

35. UNSECURED OTHER LOAN

Unsecured other loan from third parties is unsecured, repayable on demand and interest-free.

36. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	THE GROUP	
	2013	2012
	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 prepaid land lease payments and properties	**Undistributed profits of PRC subsidiaries***	**Total**
	HK$'000	*HK$'000*	*HK$'000*
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	43,943	3,384	47,327
(Credit)/charge to profit or loss	(1,745)	11,371	9,626
Exchange differences	1,500	116	1,616
At 31 December 2013	43,698	14,871	58,569

* Under the EIT Law of the 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 estimated tax losses not recognised in the consolidated financial statements as follows:

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Tax losses	**156,769**	123,875

No deferred tax asset in respect of the abovementioned estimated tax losses has been recognised due to unpredictability of future profit streams. Included in the unrecognised estimated tax losses are losses of approximately HK$17,200,000 (2012: HK$7,788,000) that will expire on various dates within five years from the reporting dates. Other estimated tax losses may be carried forward indefinitely.

THE COMPANY

At 31 December 2013, the Company has estimated unused tax losses of HK$96,552,000 (2012: HK$76,061,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The estimated tax losses may be carried forward indefinitely.

38. CORPORATE BONDS

As at 31 December 2013, 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	
	2013	2012
	HK$'000	*HK$'000*
Corporate bonds	**761,528**	731,984

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			
	2013		2012	
	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	**4,840,735**	**484,074**	4,163,452	416,346
Issuance of new shares	**—**	**—**	677,283	67,728
At 31 December	**4,840,735**	**484,074**	4,840,735	484,074

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 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 has adopted the new share option scheme (the "New Scheme") on 27 June 2013. The purpose of the New 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.

Eligible participants of the New Scheme include (a) any executive director, full-time or part-time employee of any member of the Group or invested entity or any employee or officer of the controlling shareholder; (b) any non-executive director (including independent non-executive directors), any subsidiary or any invested entity; (c) any suppliers of goods or services to any member of the Group or any invested entity; (d) any customer of the Group or any invested entity; (e) any person or entity that provides research development or other technological support to the Group or any invested entity; (f) any shareholder of any member of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity; (g) any adviser (professional or otherwise) or consultant to the Group relating to business development of the Group or any member of the Group or any invested entity; and (h) any joint venture or business partner of the Group who have contributed or may contribute to the development and growth of the Group, and for the proposes of the New Scheme, the offer may be made to any company wholly owned by one or more eligible participants. The New Scheme shall be valid and effective for a period of 10 years commencing from 28 June 2013.

An offer of the grant of an option under the New Scheme (the "Option") may be accepted within 21 days from the date of offer together with a remittance of HK$1.00 on acceptance of the grant of the Option. An Option may be exercised during such period as the board of directors may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant.

The subscription price of the Option shall be determined at the discretion of the board of directors which shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares. Holding period will be determined by directors upon granting.

As at 31 December 2013, no share option is granted, exercised or outstanding under the New Scheme.

The Company operated a share option scheme (the "Old Scheme") for the purpose of providing 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. Eligible participants of the Old Scheme include the Company's directors, including any executive director, non-executive director or employee (whether full time or part time), shareholder, holder of securities issued or proposed to be issued, supplier, customer, consultant, adviser, technician, other service provider or any joint venture partner, or business 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. The life of the Old Scheme is 10 years commencing on 24 June 2003. As at 31 December 2013, the Old Scheme had expired and no share option was outstanding.

41. SHARE PREMIUM AND RESERVE

THE GROUP

Details of changes in share premium and reserves of the Group are set out in the consolidated statement of changes in equity on pages 33 and 34.

41. SHARE PREMIUM AND RESERVE *(Continued)*

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$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
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 comprehensive income 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
Loss for the year	—	—	—	—	—	(87,493)	(87,493)
Other comprehensive income	—	—	—	—	1,051	—	1,051
Total comprehensive income for the year	—	—	—	—	1,051	(87,493)	(86,442)
Employee share-based compensation benefits	—	—	—	333	—	—	333
At 31 December 2013	738,740	1,400	(1,999)	702	892	(161,896)	577,839

42. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments as lessee

At 31 December 2013, the Group has 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	
	2013 ***HK$'000***	2012 *HK$'000*	**2013** ***HK$'000***	2012 *HK$'000*
Within one year	**3,698**	5,624	**1,887**	2,264
In the second to fifth years inclusive	**2,273**	6,479	**—**	1,887
Over five years	**—**	111	**—**	—
	5,971	12,214	**1,887**	4,151

Leases are negotiated for terms ranging from one to ten years (2012: one to ten years). None of these leases include contingent rentals.

42. OPERATING LEASE COMMITMENTS *(Continued)*

(b) Operating lease commitments as lessor

At 31 December 2013, the Group has contracted with tenants for the following future minimum lease receivables:

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**1,747**	14,760
In the second to fifth years inclusive	**4,706**	4,315
Over five years	**4,467**	5,936
	10,920	25,011

Leases are negotiated for terms ranging from one to ten years (2012: one to ten years).

43. ACQUISITION OF SUBSIDIARIES

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

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 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.

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

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2012 *(Continued)*

	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.

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. 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**	**2013** *HK$'000*	2012 *HK$'000*
The wholly-owned subsidiaries of the ultimate holding company			
中國物流有限公司	Income from operating lease arrangement	—	205
中國物資儲運總公司瀋陽虎石台一庫	Income from operating lease arrangement	—	2,952
中國寰島(集團)公司	Interest income	3,335	—
Company held by a close family member of a director:			
茂名市鴻遠貿易有限公司	Sale of coal	42,249	—

Balances with related parties at respective end of reporting dates are set out in the consolidated statement of financial position/statement of financial position and notes 26 and 27.

44. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

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

— sales of coal;

— commission income from procurement services related to coal trading; and

— sales of bulk commodity.

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

	2013 **HK$'000**	2012 HK$'000
Transactions with government-related entities:		
Sales of coal	**5,339**	—
Commission income from procurement services related to coal trading	**—**	63
Gross proceeds from sales of bulk commodity	**151,001**	—
Net sales of bulk commoditly	**778**	—

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 arrangements 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:

	2013 **HK$'000**	2012 HK$'000
Short-term employee benefits	**4,547**	4,925
Bonus	**1,182**	926
Share-based compensation	**169**	188
Post-employment benefits	**357**	110
	6,255	6,149

44. RELATED PARTY TRANSACTIONS *(Continued)*

(d) At 31 December 2013, the ultimate holding company, CCHG, provided corporate guarantees amounted to HK$1,356,000,000 (At 31 December 2012: HK$1,265,100,000) to the banks in respect to the banking facilities granted to the subsidiaries of the Group.

(e) 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).

45. 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	
	2013	2012
	HK$'000	*HK$'000*
Current liabilities		
Bank borrowings	**9,273,700**	5,194,634
Unsecured other loans	**600**	600
Corporate bonds	**761,528**	—
	10,035,828	5,195,234
Non-current liabilities		
Corporate bonds	**—**	731,984
	—	731,984
Total debts	**10,035,828**	5,927,218
Total assets	**19,721,208**	11,125,571
Gearing ratio	**50.9%**	53.3%

46. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	**2,108**	3,622
Loans and receivables (including cash and cash equivalents)	**18,178,908**	9,600,291
Receivable under finance lease arrangement	**—**	12,552
Financial liabilities		
At amortised costs	**17,293,960**	8,773,616

	THE COMPANY	
	2013	2012
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,850,773**	1,933,570
Financial liabilities		
At amortised costs	**765,621**	735,625

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, loans receivable under finance lease arrangement, amount due from a non-controlling shareholder of a subsidiary, loan to a related party, entrusted loan receivables, short-term investments, held-for-trading securities, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings, unsecured other loans 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 2013 and 2012 are as follows:

	THE GROUP			
	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**2,293,351**	2,085,592	**3,405,330**	1,177,364

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.

46. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(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 positive number below indicates an increase in post-tax profit while 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	
	2013	2012
	HK$'000	*HK$'000*
Increase/(decrease) in profit for the year	**46,425**	(33,870)

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.

Interest rate risk

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

The Group have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and short-term investments. The directors consider the Group's exposure of the short-term bank deposits and short-term investments with original maturity of less than one year 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.

46. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

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 (2012: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2013, there is no loans receivable under finance lease arrangement. Therefore, there is no exposure in this respect.

As at 31 December 2012, if interest rates on interest bearing receivable under finance lease arrangement had been 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.

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, loan to a related party, 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, loan to a related party, 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 2013, the Group has concentration of credit risk with (a) a customer from coal trading, with amount of trade receivables of HK$37,991,000 (2012: two trade receivables from bulk commodity trading of HK$455,316,000 and financial leasing, with amount of receivable under finance lease arrangement of HK$12,552,000); and (b) five entrusted loan receivables of HK$363,744,000 (2012: five entrusted loan receivables of HK$649,219,000). To monitor the credit risk exposure, the management of the Group has reviewed the recoverability of each debtor periodically.

46. 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. During the year ended 31 December 2013, 63% (2012: 48%) 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.

As at 31 December 2013, the Group has concentration of credit risk with bills receivable from bulk commodity trade issued by eight (2012: seven) banks. The credit risk on the bills receivable is limited because the counterparties are mainly banks with high credit-rating or with good reputation.

As at 31 December 2013, the Group has fourteen 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 2013, the Company also has significant concentration of credit risk which has an amount of HK$1,838,589,000 and (2012: HK$1,863,431,000) 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.

46. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table (Continued)

At 31 December 2013

	THE GROUP				
	Weighted average interest rate per annum	Within 1 year or on demand *HK$'000*	1 to 3 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
Trade and other payables	—	7,258,132	—	7,258,132	7,258,132
Bank borrowings	2.45%	9,509,753	—	9,509,753	9,273,700
Unsecured other loans	—	600	—	600	600
Corporate bonds	4.50%	777,510	—	777,510	761,528
		17,545,995	—	17,545,995	17,293,960
Financial guarantee issued					
Maximum amount guaranteed		91,084	—	91,084	—

	THE COMPANY				
	Weighted average interest rate per annum	Within 1 year or on demand *HK$'000*	1 to 3 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
Other payables	—	4,093	—	4,093	4,093
Corporate bonds	4.50%	777,510	—	777,510	761,528
		781,603	—	781,603	765,621
Financial guarantee issued					
Maximum amount guaranteed		2,802,671	—	2,802,671	—

46. 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

THE GROUP

	Weighted average interest rate per annum	Within 1 year or on demand *HK$'000*	1 to 3 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'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	—

THE COMPANY

	Weighted average interest rate per annum	Within 1 year or on demand *HK$'000*	1 to 3 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'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	—

46. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

Financial risk management objectives and policies *(Continued)*

Fair value

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

- the fair value of financial assets include listed equity securities (2012: listed equity securities and derivative financial instruments) with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices.

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 2013, the listed equity securities which grouped into Level 1 amounted to HK$2,108,000 (2012: listed equity securities and derivative financial instruments which grouped into Level 1 amounted to HK$1,101,000 and HK$2,521,000 respectively).

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

Fair value hierarchy

	The Group Fair value measurement as at 31 December 2013			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Fair value as at 31 December 2013** *HK$'000*
Recurring fair value measurement				
Financial assets:				
Held-for-trading securities	2,108	—	—	2,108

47. MAJOR NON-CASH TRANSACTION

For the year ended 31 December 2013, there is no 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).

48. CONTINGENT LIABILITIES

Years ended 31 December 2013 and 2012

The Group was not subject to any contingent liabilities as at 31 December 2013 and 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.

49. GUARANTEES

The Group

At 31 December 2013, the Group had contingent liabilities in relation to guarantees of approximately HK$91,084,000 (At 31 December 2012: HK$39,397,000) 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 2013, the Company provided corporate guarantees to its subsidiaries as follows:

— corporate guarantees amounted to HK$5,803,803,000 (At 31 December 2012: HK$4,067,920,000) to the banks in respect to the banking facilities granted to a subsidiary of the Group in relation to the discounted bills with recourse.

— corporate guarantees amounted to HK$356,160,000 (At 31 December 2012: Nil) to the banks in respect to the banking facilities granted to the subsidiaries of the Group in relation to the bills payable.

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.

50. COMMITMENTS

(a) Capital commitments

	THE GROUP	
	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for		
Purchase of property, plant and equipment	**27,017**	39,596

(b) Other commitments

Year ended 31 December 2013

As mentioned in note 20, on 18 June 2013, the Group entered into the Sale and Purchase Agreement in relation to the acquisition of 85% equity interests in Alpha Fortune at the aggregate considerations of approximately RMB448,600,000 (equivalent to approximately HK$570,619,000). As of 31 December 2013, the Group has paid cash of RMB265,000,000 (equivalent to approximately HK$337,080,000) to the Vendors as earnest and advance payment pursuant to the payment schedule as specified in the Framework Agreement. The consideration under the Sale and Purchase Agreement will be settled by (i) cash of approximately RMB155,332,000 (equivalent to approximately HK$197,582,000), (ii) issuance of consideration shares of approximately RMB23,586,000 (equivalent to approximately HK$30,001,000) at the issue price of HK$0.36 per share and (iii) setting off of debt of approximately RMB269,682,000 (equivalent to approximately HK$343,036,000), which includes the earnest and advance payment totalling RMB265,000,000 (equivalent to approximately HK$337,080,000).

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.

51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December 2013, the Group has entered into the transactions subject to enforceable netting arrangements with the banks. The Group has pledged bank deposits, bank borrowings and bills payable with the banks that meet the offsetting criteria in paragraph 42 of HKAS 32. Consequently, the gross bank borrowings and bills payable are set off against the gross pledged bank deposits, result in the presentation of a net pledged bank deposits of HK$1,746,000, net bank borrowings of HK$9,270,000 and net bills payable of HK$45,411,000 in the Group's consolidated statement of financial position as at 31 December 2013.

The Group had no offsetting of financial assets and financial liabilities as at 31 December 2012.

Financial assets subject to offsetting

	THE GROUP As at 31 December 2013					
				Related amounts not set off in the financial position		
Description of types of financial assets	**Gross amounts of recognised financial assets** *HK$'000*	**Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position** *HK$'000*	**Net amounts of financial assets presented in the consolidated statement of financial position** *HK$'000*	**Financial instruments** *HK$'000*	**Cash collateral received** *HK$'000*	**Net settlement** *HK$'000*
Pledged bank deposits	3,798,218	(3,796,472)	1,746	—	—	1,746

Financial liabilities subject to offsetting

	THE GROUP As at 31 December 2013					
				Related amounts not set off in the financial position		
Description of types of financial liabilities	**Gross amounts of recognised financial liabilities** *HK$'000*	**Gross amounts of recognised financial assets offset in the consolidated statement of financial position** *HK$'000*	**Net amounts of financial liabilities presented in the consolidated statement of financial position** *HK$'000*	**Financial instruments** *HK$'000*	**Cash collateral received** *HK$'000*	**Net settlement** *HK$'000*
Bank borrowings	1,712,669	(1,703,399)	9,270	—	—	9,270
Bills payable	2,138,484	(2,093,073)	45,411	—	—	45,411
	3,851,153	(3,796,472)	54,681	—	—	54,681

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 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)	4,849	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%	Note (b)	Residential and commercial	Commercial — Medium-term lease Residential — Long lease	Section II work in progress	Section II is expected to be completed in Year 2014
A parcel of land designated as No. 01213003 and located on the northern side of Mizhou West Road Eastern Section, Zhucheng City, Shandong Province, the PRC	100%	Note (a)	Residential	Long lease	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%	Note (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%	Note (a)	17,959 (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.

Note (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.

A summary of the published results and of the assets and liabilities of the Group for the year ended 31 December 2013 and the last four financial years, 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.

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
RESULTS					
Turnover	15,500,313	8,626,661	419,483	89,996	5,536
Profits attributable to the owners of the Company	50,727	184,526	36,381	87,890	61,982
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	209,097	145,752	8,400	8,047	8,554
Prepaid land lease payments	54,496	54,866	—	—	—
Investment properties	187,760	175,558	237,741	222,784	251,256
Loans receivable under finance lease arrangements	—	—	11,139	—	—
Deposits paid	358,144	338,850	—	—	—
Restricted bank balance	—	—	—	4,200	4,200
Current assets					
Restricted bank balance	—	—	4,200	—	—
Properties held for sale	111,641	162,371	152,533	—	11,852
Properties held for development	283,996	303,601	301,133	291,259	411,865
Properties under development	313,968	218,295	251,427	318,030	203,077
Inventories	5,583	19,528	74,896	—	—
Trade and other receivables	11,709,593	6,504,106	761,363	67,378	6,564
Loans receivable under finance lease arrangements	—	12,552	11,665	60,154	—
Prepaid land lease payments	2,026	1,960	—	—	—
Entrusted loan receivables	363,744	649,219	113,714	—	—
Held-for-trading securities	2,108	1,101	1,281	8,266	14,443
Derivative financial instruments	—	2,521	—	—	—
Short-term investments	2,814,314	104,550	328,404	—	—
Pledged bank deposits	676,073	355,895	—	—	—
Bank balances and cash	2,557,297	1,973,076	948,829	716,617	617,649
Amount due from non-controlling shareholder of a subsidiary	20,488	18,450	18,567	17,958	23,978
Amount due from an intermediate holding company	—	—	—	—	1,742
Loan to a related party	50,880	—	—	—	—
Assets classified as held for sale	—	—	—	—	40,255
Claim recoverable	—	—	—	—	9,765
Non-current assets classified as held for sale	—	83,320	—	—	—
Total assets	19,721,208	11,125,571	3,225,292	1,714,693	1,605,200

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Current liabilities					
Trade and other payables	**(7,287,370)**	(2,943,433)	(144,189)	(35,525)	(37,454)
Deposits received from sale of properties	**(59,306)**	(21,051)	(14,573)	(39,396)	(7,245)
Amounts due to related companies	—	—	—	(508)	(361)
Amount due to ultimate holding company	—	—	—	(461)	—
Amount due to non-controlling shareholders of subsidiary	—	—	—	—	(3,978)
Taxation payable	**(62,515)**	(21,474)	(9,904)	(8,663)	(3,319)
Bank borrowings	**(9,273,700)**	(5,194,634)	(643,937)	(47,200)	(45,600)
Unsecured other loans	**(600)**	(600)	(600)	(600)	(3,260)
Loan from a non-controlling shareholder of a subsidiary	—	—	(549)	—	(17,965)
Provisions for claims	—	—	—	—	(29,923)
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)
Corporate bonds	**(761,528)**	—	—	—	—
Non-current liabilities					
Deferred tax liabilities	**(58,569)**	(47,327)	(12,953)	(1,907)	(718)
Corporate bonds	—	(731,984)	(721,845)	—	—
Total liabilities	**(17,503,588)**	(9,054,598)	(1,548,550)	(134,260)	(160,396)