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

2014 ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

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

Tse Ching Wah

AUDITOR

BDO Limited
Certified Public Accountants

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
Oversea-Chinese Banking Corporation
China Merchants Bank
Bank of Communications Company Limited,
Hong Kong Branch
Industrial Bank Co., Ltd., Hebei Cangzhou Branch

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STOCK CODE

217

Chairman's Statement

I, on behalf of the board (the "Board") of directors (the "Directors"), hereby present to all shareholders the annual report of China Chengtong Development Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014 (the "Year").

During the Year, the Group recorded turnover of approximately HK$3,224.10 million (2013: approximately HK$15,500.31 million) and loss attributable to owners amounted to approximately HK$51.42 million (2013: profit of approximately HK$50.73 million). The significant decrease in the turnover of the Group for the Year over last year was attributable to shutdown of the operation of relevant bulk commodity trading business platforms as the Group could not reach a consensus with venture partners in relation to the operational model and risk control measures of the bulk commodity trading business. The loss recorded by the Group in the Year was mainly due to the reasons that (i) the Group recorded substantial loss from the bulk commodity trade business of the Group in the Year as a result of substantial decrease in profit margin of bulk commodities and the Group's reduction of its bulk commodity trade business since the fourth quarter of 2014 which led to a drastic decrease in the revenue derived from this segment; (ii) the amount of gain on disposal of subsidiaries recorded in the Year was substantially less than the amount of gain on disposal of non-current assets classified as held for sale recorded in the year 2013; and (iii) other income recorded in the Year substantially decreased mainly as a result of decrease in interest income from entrusted loan receivables and decrease in interest income from bank deposits and short-term investments.

The Group's principal activities are bulk commodity trading, trading of coal, property development, property investment, financial leasing and hotel and marine travel services. During the Year, the Group disposed of its two joint ventures, i.e. 杭州瑞能金屬材料有限公司 (unofficial English translation being Hangzhou Ruineng Metals Company Limited) ("Hangzhou Ruineng") and Chengtong Development International Trading Limited ("Chengtong International Trading"), which served as the Group's bulk commodity business platform, and the disposal had a material impact on the Group's turnover. However, the Group was of the view that this adjustment is necessary and beneficial to the long-term development of the Group. Up to now, as the demand for bulk commodity in the PRC has not improved and the prices experienced material fluctuation, the Group will still adopt a prudent principle to further decrease the trade volume of bulk commodities and adjust its business strategies in the future in a timely manner according to the supply and demand in the market. The Group has proactively strived to enter the upstream coal resources area. However, taking into account the significant changes of the macro environment, the Group decided to terminate the acquisition of Guangxi coal resources and restructured the assets related to the acquisition. In terms of property development and property investment, the Group's overall strategy is to speed up its exit. In the Year, it achieved the realization of the land assets in Shenyang and will continue to promote project in Zhucheng of Shandong Province in the future and accomplish the project development eventually. On the other hand, the Group will continue to promote the project in Dafeng in a cautious manner due to the immature market. In respect of financial leasing, the Group restarted the financial leasing business in the Year and made certain achievements. The hotel and marine travel services business still maintained a relatively high gross profit margin and obtained excellent operating results in the Year. Meanwhile, it commenced the demonstration works of hotel reconstruction projects and new marine travel resource projects.

With an objective of realizing maximum interest of shareholders, the Board continued to promote the corporate governance and optimize and improve corporate management and control system. During the Year, the Company has convened six Board meetings, at which various issues including the annual report, interim report, business adjustments and key projects of the Group and others were considered and approved. The Group addressed actively the changes from internal and external environment and adopted powerful measures to adjust its operational strategy in time. In addition, the Group optimized management and control model and decreased the liabilities to keep good asset structure in the adverse operational environment of the Company and accumulate force for its future development.

In 2015, the global economy will remain complicated and there are still uncertainties for the recovery. The Chinese economy will step into the key phase of "ensuring stable growth, adjusting the structure", during which the economic growth will shift from high speed to a new normal of medium and high speed. Facing opportunities and challenges, the Group will continue to stick to the principle of maintaining stable operation. On one hand, depending on the existing resources, it will enhance the exploration and investment in marine travel and other relevant industries, cultivate and develop new business for profit growth to create value for shareholders. On the other hand, along with the deep reform of central enterprises stepping into the practical operation stage, it is expected that top-level design policies will be issued. As one of the asset 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. This will provide excellent potential external opportunities for the Group's future rapid development. 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 pay close attention to the changes in macro environment, proactively cope with various challenges and intensify strategic research. Meanwhile, it will strictly control the operational risk and strive to grasp the development opportunities so as to realize sustainable, stable and healthy development of the Group and create greater value for all shareholders.

At last, I, on behalf of the Board, would like to express my sincere gratitude to all shareholders, business partners and communities for their continuous support and care to the Group. I would also like to thank all the management and employees of the Group for their hard works throughout the Year.

Yuan Shaoli
Chairman

Hong Kong, 5 March 2015

Management Discussion and Analysis

I. RESULTS AND DIVIDEND

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

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

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

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

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

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

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

II. BUSINESS REVIEW

Segment revenue and results

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

(1) Bulk Commodity Trade

Chengtong International Trading and Hangzhou Ruineng, being two then subsidiaries of the Group established respectively in Hong Kong and the PRC in the fourth quarter of 2011, were engaged in bulk commodity trade business in Hong Kong and the PRC respectively. As the Group ceased to carry out new bulk commodity trade business through Chengtong International Trading and Hangzhou Ruineng, and planned to streamline group structure, the Group disposed of its entire equity interests in Chengtong International Trading and Hangzhou Ruineng by way of the listing-for-sale in the PRC in December 2014, and the total consideration for the disposal of Chengtong International Trading and Hangzhou Ruineng amounted to approximately HK$36.21 million. The total gain before tax from the disposal of Chengtong International Trading and Hangzhou Ruineng amounted to approximately HK$10.52 million. Details of the disposal of the Group's equity interests in Chengtong International Trading and Hangzhou Ruineng are set out in the Company's announcements dated 11 November 2014 and 18 December 2014 and the circular dated 23 December 2014 and note 42 to the financial statements in this report.

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

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

(2) Property Development

Property Sale

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

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

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

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

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

(ii) Dafeng of Jiangsu Province — Chengtong International City

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

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

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

(3) Property Investment

Property lease

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

Zhucheng of Shandong Province — CCT-Champs-Elysees

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

Land Resources Development

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

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

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

On 22 December 2014, the Group and an independent third party entered into an asset transaction agreement for the disposal of the entire interest in Chengtong Enterprises at a consideration of RMB420 million, equivalent to approximately HK$529.2 million. The gain before tax of the disposal of Chengtong Enterprises amounted to approximately HK$52.64 million. Details of the disposal of the entire interests of Chengtong Enterprises are set out in the Company's announcements dated 30 October 2014 and 22 December 2014, and the circular dated 8 December 2014 and note 42 to the financial statements. For the years 2013 and 2014, no tenancy agreement was concluded for and no rental income was generated from the Shenyang Land and buildings erected thereon.

(ii) Lands in Dafeng of Jiangsu Province

誠通大豐海港開發有限公司 (unofficial English translation being Chengtong Dafeng Harbour Development Limited) ("Dafeng Harbour Development"), a non-wholly owned subsidiary of the Company, holds a parcel of industrial land situated at south of Shugang Highway, Dafeng City, Jiangsu Province, the PRC and three parcels of residential and commercial land situated at lot number 1 to 3 in the Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province. On 3 July 2014, the Group entered into two resumption agreements with Dafeng Land Reserve Center and Management Committee of the Jiangsu Dafeng Harbour Economic Development Zone ("Dafeng Harbour Committee") and two compensation agreements with Dafeng Harbour Committee and 江蘇大豐海港控股集團有限公司 (unofficial English translation being Jiangsu Dafeng Harbour Holdings Group Limited) in relation to the resumption of two lands in Dafeng of Jiangsu Province at the total compensation amount of RMB219.92 million (equivalent to approximately HK$277.10 million). Details of the resumption of lands are set out in the Company's announcement dated 3 July 2014. However, the compensation amount has not been settled yet and the resumption of lands has not been completed as at 31 December 2014 and the date of this report.

(4) Hospitality and Marine Travelling Services

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

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

(5) Financial Leasing

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

(6) Coal Business

(i) Trading of Coal

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

(ii) Processing and sales of coal

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

(iii) Disposal of entire interest in Chengtong Coal

On 20 August 2014, the Group entered into a sale and purchase agreement ("Mosway SP Agreement") with Mosway Group Limited ("Mosway"), a wholly-owned subsidiary of CCHG for the disposal of the entire interest in Chengtong Coal and the total indebtedness owing or incurred by Chengtong Coal to the rest of the Group on or at any time prior to completion of Mosway SP Agreement. The consideration of the disposal was approximately RMB339,933,000. The gain from the disposal of Chengtong Coal (before tax) was approximately HK$0.74 million. Details of the disposal of the entire interest in Chengtong Coal are set out in the Company's announcement dated 20 August 2014 and circular dated 23 September 2014 and note 42 to the financial statements in this report.

Other income and gains

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

Selling and administrative expenses

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

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

Finance costs

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

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

III. OUTLOOK

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

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

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

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

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

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

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

IV. FINANCIAL ANALYSIS

(1) Debt to assets ratio

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

(2) Liquidity and capital resources

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

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

(3) Pledge of assets

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

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

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

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

V. TREASURY POLICIES

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

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

Biographies of Directors and Senior Management

DIRECTORS

Mr. Yuan Shaoli

Aged 60, 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 president of China Huandao (Group) Company ("China Huandao"), a subsidiary of CCHG. Mr. Yuan is presently an independent non-executive director of Kangda International Environmental Company Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), a director of China Chengtong Hong Kong Company Limited ("CCHK") and a director of World Gain Holdings Limited ("World Gain"). CCHK and World Gain both have an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) ("SFO"). Mr. Yuan has extensive experience in business management, assets management, public relations and human resources management.

Mr. Wang Hongxin

Aged 51, 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 experience 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 is also a director of CCHK, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Wang Tianlin

Aged 42, 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 in 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 currently a president and executive director of China Huandao. Mr. Wang has extensive experience in corporate governance, capital management and business administration.

Mr. Zhang Bin

Aged 46, 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. Zhang is also a director of CCHK, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Chang Qing

Aged 57, 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 Shenwu Environmental Technology Co., Ltd. (formerly known as Tianli Environmental Engineering Co., Ltd., a company listed on the Shenzhen Stock Exchange) and Tibet Summit Industry Co., Ltd. (a company listed on the Shanghai Stock Exchange). He had also served as an independent director of Rongfeng Holding Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange). He is also a member of council of Shanghai Futures Exchange and a member of Expert Committee of China Securities Journal. 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 61, 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 Stock Exchange since June 2000, and served as its chief executive officer from July 2000 to March 2012. Mr. Lee obtained a Master degree in Business Administration from Chu Hai College of Higher Education in 1981. 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 52, 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 shares 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 member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He graduated with a Bachelor degree in Social Sciences from The University of Hong Kong in 1984. He has over 20 years of investment, real estate, corporate finance and business management experience, and long track record of building businesses in China.

SENIOR MANAGEMENT

Mr. Chan Siu Kay

Aged 55, is the financial controller of the Company and a director of several subsidiaries of the Company. He joined the Company in May 2014. Mr. Chan holds a Master degree in Business Administration from the University of Strathclyde in the United Kingdom and a Master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants. He is also an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a Fellow Certified Professional Economist of The Hong Kong Society of Economists Limited. Mr. Chan has gained over 26 years of experience in audit, accounting, taxation, corporate finance and IPO from working in an international audit firm and a number of listed companies.

COMPANY SECRETARY

Ms. Tse Ching Wah

Aged 33, is the company secretary of the Company. Ms. Tse joined the Group in October 2012. She holds a Master degree in Corporate Governance from The Hong Kong Polytechnic University. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She is also a member of both The Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. She has extensive experience in accounting, auditing, corporate governance and merger and acquisition activities with an international accounting firm and a Hong Kong listed company.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Group for the Year.

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

In the opinion of the Directors, save as mentioned below, the Company had complied with all the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on Stock Exchange for the Year.

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

The Company periodically reviews its corporate governance practices to ensure those continue to meet the requirements of the CG 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 are summarised as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies and 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 of the Company, with a view to ensure that 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, the Board comprised the following Directors:

Executive Directors

YUAN Shaoli	*(Chairman of the Board, chairman of nomination committee of the Company ("Nomination Committee") and member of the remuneration committee of the Company ("Remuneration Committee"))*
WANG Hongxin	*(Managing Director)*
WANG Tianlin	
ZHANG Bin	

Independent non-executive Directors

CHANG Qing	*(member of audit committee of the Company ("Audit Committee"))*
LEE Man Chun, Tony	*(chairman of Remuneration Committee, member of Audit Committee and member of Nomination Committee)*
CHAN Sheung Lai	*(chairman of Audit Committee, member of Remuneration Committee and member of Nomination Committee)*

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

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing not less than one-third of the Board, 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 the Nomination Committee and adopted 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 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 annual general meeting after appointment.

The Board and Nomination Committee as a whole are 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 reviews 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. Zhang Bin as the executive Director.

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

Detailed information of the Directors standing for re-election will be set out in the circular of the Company 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 CG 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 industrial experience, cultural and educational background, race, gender and other qualities. In forming 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(s) 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, 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 is set out below:

	Number of Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
YUAN Shaoli	6/6	Not applicable	1/1	1/1
WANG Hongxin	6/6	Not applicable	Not applicable	Not applicable
WANG Tianlin	6/6	Not applicable	Not applicable	Not applicable
ZHANG Bin	6/6	Not applicable	Not applicable	Not applicable
CHANG Qing	6/6	2/2	Not applicable	Not applicable
LEE Man Chun, Tony	6/6	2/2	1/1	1/1
CHAN Sheung Lai	6/6	2/2	1/1	1/1

Practices and Conduct of Meetings

Meeting schedules and agenda of each meeting are normally made available to the 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 development 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 of the Company assists the Chairman of the Board 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 meeting. Draft minutes are circulated to all Directors for review and amendment as soon as practicable after the meeting is held. 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 any proposed transactions, the Director concerned will not participate in the discussion and will abstain from voting on related resolutions. Directors without any conflict of interest will be present at meetings to vote and resolve on such issues.

Chairman and Managing Director

During the Year, the positions of Chairman of the Board and Managing Director are held by Mr. Yuan Shaoli 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. Yuan Shaoli, the Chairman of the Board, provided leadership and was responsible for ensuring that relevant duties and responsibilities have been fully and appropriately executed by the Directors in accordance with good corporate governance practice. With support of the senior management, the Chairman of the Board 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. 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 aspects 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

During the Year, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Chan Sheung Lai (chairman of the Audit Committee), Mr. Lee Man Chun, Tony, and Mr. Chang Qing. Mr. Chan Sheung Lai is 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; and

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

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

During the Year, 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, the Company's annual results for the year ended 31 December 2013 and the interim results for the six months ended 30 June 2014 had been reviewed by the Audit Committee.

Remuneration Committee

During the Year, the Remuneration Committee comprised two independent non-executive Directors and the Chairman of the Board, namely, Mr. Lee Man Chun, Tony (chairman of the Remuneration Committee), Mr. Chan Sheung Lai and Mr. Yuan Shaoli.

The primary objectives of the Remuneration Committee include making recommendations 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 associates will participate in deciding his own remuneration. The remuneration of the 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 of the Board and/or the Managing Director about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee held one meeting during the Year and reviewed the remuneration policy and structure of the Company and remuneration packages of the Directors and the senior management.

Nomination Committee

The Nomination Committee is chaired by Mr. Yuan Shaoli, the Chairman of the Board, and other members of the Nomination Committee include two independent non-executive Directors, namely, Mr. Lee Man Chun, Tony and Mr. Chan Sheung Lai. 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, industrial experience, professional knowledge, personal integrity and time for participating in the Company's affairs. For the Year, the Nomination Committee held a meeting to discuss the re-election of the Directors. The Nomination Committee also recommended to the Board to appoint Mr. Zhang Bin as an executive Director during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 had complied with the requirements of the Code of Conduct and the Model Code throughout the Year.

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 functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Every Board member has full access to the advice and services of the company secretary of the Company with a view to ensure that the 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 the Directors have been updated on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure that the Directors, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expenses.

The Directors confirmed that they had complied with the code provision A.6.5 of the CG Code on directors' training. During the Year, 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
WANG Hongxin	b
WANG Tianlin	b
ZHANG Bin	a, b
CHANG Qing	b
LEE Man Chun, Tony	b, c
CHAN Sheung Lai	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, inside information 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.

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 28 to 29 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 amounted to approximately HK$1,300,000 and HK$650,000 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	180
Other non-audit services *(note)*	470
Total	1,950

Note: Mainly include professional fees in relation to certain major transactions of the Company during the Year.

INTERNAL CONTROL

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 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, 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; and

- 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 of the CG Code, the Group has conducted a comprehensive review of the internal control system under the guidance of the Board and the senior management in the Year. 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

During the Year, Ms. Cheng Ka Wai, who was not an employee of the Company, acted as the company secretary of the Company from 1 January 2014 to 31 March 2014. On 1 April 2014, Ms. Tse Ching Wah, who is an employee of the Company, was appointed as the company secretary of the Company in replacement of Ms. Cheng Ka Wai.

In delivering her service as company secretary of the Company, both Ms. Cheng and Ms. Tse have direct contact with the Chairman of the Board and the Managing Director and other senior management of the Company to ensure that good information flows among the Directors and that Board policy, procedures and all applicable laws, rules and regulations are followed and also to facilitate induction and professional development of the Directors.

Ms. Tse has confirmed that for the Year, she had 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 websites of the Stock Exchange and the Company on the day of the relevant 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 the chairmen of the Audit Committee and the Remuneration Committee, or in their absence, other members of the Board or 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 three general meetings (one annual general meeting held on 25 June 2014, and two extraordinary general meetings held on 18 September 2014 and 17 October 2014 respectively). The attendance record of the Directors in such general meetings is as follows:

Name of Directors	**Attendance**
YUAN Shaoli	2/3
WANG Hongxin	2/3
WANG Tianlin	0/3
ZHANG Bin	2/3
CHANG Qing	0/3
LEE Man Chun, Tony	3/3
CHAN Sheung Lai	3/3

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 the Company's website at www.irasia.com/listco/hk/chengtong.

SHAREHOLDERS' RIGHTS

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

In accordance with sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company may require the Directors to convene an EGM. The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the principal office of the Company in Hong Kong for the attention of the company secretary in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the Directors do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the said date.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Directors.

(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 of the Company 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

Shareholders are requested to follow sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for including a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved and is intended to be moved at an AGM.

(ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the principal office of the Company for the attention of the company secretary in hard copy form or is sent to the Company in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

CONSTITUTIONAL DOCUMENTS

The Company has not amended its constitutional documents during the Year.

The Directors present the annual report and the audited consolidated financial statements of the Company for the Year.

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 are set out in the consolidated income statement on page 30.

The Directors do not recommend the payment of any final dividend for the Year (for the year ended 31 December 2013: 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 38 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 35 to 36.

Details of the movements in the reserve of the Company during the Year are set out in note 40 to the financial statements.

As at 31 December 2014, the Company had approximately HK$22,134,000 distributable reserve as calculated under Sections 291 and 297 of the then prevailing Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (31 December 2013: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate amount of turnover attributable to the five largest customers represented approximately 54.9% of the Group's total turnover. Sales to the largest customer accounted for approximately 15.7% 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 69% of the Group's total purchases. Purchases from the largest supplier accounted for 27.4% of the Group's total purchases.

None of the Directors or any of their close 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 interest in the Group's five largest customers or suppliers for the Year.

DIRECTORS

The Directors during the year under review and up to the date of this report are as follows:

Mr. YUAN Shaoli	*(Executive Director and Chairman)*
Mr. WANG Hongxin	*(Executive Director and Managing Director)*
Mr. WANG Tianlin	*(Executive Director)*
Mr. ZHANG Bin	*(Executive Director, appointed on 30 January 2014)*
Mr. CHANG Qing	*(Independent non-executive Director)*
Mr. LEE Man Chun, Tony	*(Independent non-executive Director)*
Mr. CHAN Sheung Lai	*(Independent non-executive Director)*

Particulars of the Directors are set out on pages 12 to 13.

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

The Company has received from each of the existing independent non-executive Directors 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, subsisting at the end of or at any time during the Year under review.

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

As at 31 December 2014, Directors and chief executives of the Company who had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or are required, pursuant to the Model Code, 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	Class of Shares	Number of Shares	Approximate percentage of issued share capital
Yuan Shaoli	The Company	Beneficial owner	Ordinary	300,000 *(Note)*	0.0062%
Wang Hongxin	The Company	Beneficial owner	Ordinary	600,000 *(Note)*	0.0124%
Wang Tianlin	The Company	Beneficial owner	Ordinary	400,000 *(Note)*	0.0083%
Zhang Bin	The Company	Beneficial owner	Ordinary	300,000 *(Note)*	0.0062%

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

Save as disclosed above, as at 31 December 2014, none of the Directors nor the chief executives of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the Year, 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, 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 shares and underlying shares of the Company.

Long Position

Name of shareholder	Capacity	Number of shares	Percentage of the issued share capital of the Company
World Gain	Beneficial owner *(Note)*	2,979,456,119	61.55%
CCHK	Controlled corporation *(Note)*	2,979,456,119	61.55%
CCHG	Controlled corporation *(Note)*	2,979,456,119	61.55%

Note: 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 under the SFO.

Save as disclosed above, as at 31 December 2014, no other person had any interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company under Section 336 of the SFO.

RENMINBI DENOMINATED BONDS

On 9 May 2014, the Company issued corporate bonds with a principal amount of RMB600,000,000 and with a fixed interest at 4% per annum for a term of 3 years.

Another corporate bonds with a principal amount of RMB600,000,000 with a fixed interest at 4.5% per annum for a term of 3 years issued on 19 May 2011 were matured on 19 May 2014 and were fully repaid.

CONNECTED TRANSACTIONS

On 9 May 2014, 誠通實業投資有限公司 (unofficial English translation being Chengtong Industrial Investment Limited) ("Chengtong Industrial"), a wholly-owned subsidiary of the Company, as lender, and China Huandao, as borrower, entered into an extension agreement ("First Extension Agreement") to extend the term of the loan ("Loan") in the principal amount of RMB40,000,000 made pursuant to a loan agreement dated 8 May 2013, for five months to 9 October 2014. As China Huandao is a wholly-owned subsidiary of CCHG and CCHG is the holding company of World Gain which is the controlling shareholder of the Company, China Huandao is a connected person of the Company. Further details of the First Extension Agreement are set out in the Company's announcement dated 9 May 2014.

On 17 May 2014, due to internal arrangement of usage of fund within the Group, Chengtong Industrial assigned the Loan to 誠通發展貿易有限公司 (unofficial English translation being Chengtong Development Trading Co., Ltd) ("Chengtong Development Trading"), a wholly-owned subsidiary of the Company, which further assigned the Loan on 17 July 2014 to 海南寰島酒店旅遊投資有限公司 (unofficial English translation being Hainan Huandao Hotel and Travel Investment Co., Ltd.) ("Huandao Hotel Investment"), another wholly-owned subsidiary of the Company. On 9 October 2014, Huandao Hotel Investment as lender, and China Huandao as borrower, entered into a second extension agreement ("Second Extension Agreement") to further extend the term of the Loan (as previously extended by the First Extension Agreement) for one year to 9 October 2015. Further details of the Second Extension Agreement are set out in the Company's announcement dated 9 October 2014.

On 20 August 2014, the Company as vendor entered into Mosway SP Agreement with Mosway as purchaser, pursuant to which the Company has conditionally agreed to sell and Mosway has conditionally agreed to purchase the entire issued share capital of and the total indebtedness owing or incurred by Chengtong Coal (a direct wholly owned subsidiary of the Company as at the date of the Mosway SP Agreement) to the Company and some of its wholly owned subsidiaries on or at any time prior to completion of the Mosway SP Agreement, at a consideration of RMB339,932,904. As Mosway is a wholly owned subsidiary of CCHG, which is the holding company of the controlling shareholder of the Company, Mosway is a connected person of the Company. Further details of the Mosway SP Agreement are set out in the Company's announcement dated 20 August 2014 and circular dated 23 September 2014.

On 20 October 2014, Chengtong Energy formerly known as Dafeng Ruineng, an indirect non-wholly owned subsidiary of the Company, entered into a sales contract with 廣州市同正煤炭貿易有限公司 (unofficial English translation being Guangzhou City Tongzheng Coal Trading Company Limited) ("Guangzhou Tongzheng"), pursuant to which Chengtong Energy has agreed to sell, and Guangzhou Tongzheng has agreed to purchase, certain coal at a total price of approximately RMB5,733,000. As the spouse and the brother of one of the directors of Chengtong Energy together hold more than 50% interests in Guangzhou Tongzheng, Guangzhou Tongzheng is a connected person of the Company. Further details of the sales contract are set out in the Company's announcement dated 20 October 2014.

The Directors confirm that the related party transactions during the Year as disclosed in notes 43(a), 43(d) and 43(e) 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 as disclosed in notes 43(b) and 43(c) to the 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.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this report, (i) no contract of significance was entered into by, and/or subsisted between the Company or any of its subsidiaries with the controlling shareholder or any of its subsidiaries during the Year; and (ii) there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Group.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at 31 December 2014, the Group employed a total of 314 employees (as at 31 December 2013: 349), of which 12 were based in Hong Kong (as at 31 December 2013: 15) and 302 were based in Mainland China (as at 31 December 2013: 334). Employee's remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties, and remain competitive under current market trend. Apart from the basic salary, discretionary bonus and other incentives are offered to employees to reward their performance and contributions. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's corporate goals, the individual performance of the Directors 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 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.

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 new share option scheme, details of which are set out in note 39 to the financial statements. During the Year, no option was granted, exercised, cancelled or lapsed under the new share option scheme. There was no option outstanding at the beginning and at the end of the Year.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 25 April 2012 ("Adoption Date"). The purposes of the Share Award Scheme are to recognise 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 representing in excess of 1% of the issued shares as at 31 March 2012 (being 41,634,522 shares) unless the Board otherwise decides.

Please refer to the announcement of the Company dated 25 April 2012 for details of the Share Award Scheme.

There were no shares awarded to employees pursuant to the Share Award Scheme during the Year.

SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this report, based on information that was publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company had 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 and the past four financial years is set out on pages 107 to 108.

AUDITOR

The consolidated financial statements of the Company for the Year 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 2015

Independent Auditor's Report

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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 30 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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, Cap. 32 by operation of the transitional and saving provisions in Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622, 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, Cap. 32 by operation of the transitional and saving provisions set out in Section 80 of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622, 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 2014, and of the Group's loss 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, Cap. 32.

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

Hong Kong, 5 March 2015

Consolidated Income Statement

For The Year Ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	6	**3,224,100**	15,500,313
Cost of sales		**(3,238,720)**	(15,410,873)
Gross (loss)/profit		**(14,620)**	89,440
Other income	7	**232,573**	433,316
Selling expenses		**(17,766)**	(19,031)
Administrative expenses		**(127,547)**	(147,797)
Fair value gain on investment properties	17	**3,465**	4,999
Fair value gain upon properties held for sale transferred to investment properties	17	**—**	665
Fair value (loss)/gain on held-for-trading securities		**(405)**	1,009
Gain on disposal of non-current assets classified as held for sale	17	**—**	101,244
Gain on disposal of subsidiaries	42	**63,901**	—
Finance costs	8	**(155,329)**	(317,372)
(Loss)/profit before income tax		**(15,728)**	146,473
Income tax expense	9	**(80,527)**	(82,155)
(Loss)/profit for the year	10	**(96,255)**	64,318
(Loss)/profit for the year attributable to:			
Owners of the Company		**(51,417)**	50,727
Non-controlling interests		**(44,838)**	13,591
		(96,255)	64,318
(Loss)/earnings per share	13		
— Basic		**HK(1.06) cents**	HK1.05 cents
— Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2014

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

Consolidated Statement of Financial Position

As At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	187,722	209,097
Prepaid land lease payments	16	51,760	54,496
Investment properties	17	58,086	187,760
Deposits paid	20	29,181	358,144
Loans receivable	25	194,173	—
		520,922	809,497
Current assets			
Properties held for sale	21	287,498	111,641
Properties under development	21	160,469	283,996
Properties held for development	22	311,006	313,968
Inventories	23	23,191	5,583
Trade and other receivables	24	403,444	11,709,593
Loans receivable	25	85,538	—
Amount due from a non-controlling shareholder of a subsidiary	26	21,686	20,488
Loan to a related party	27	54,454	50,880
Prepaid land lease payments	16	2,007	2,026
Entrusted loan receivables	28	107,525	363,744
Held-for-trading securities	29	1,703	2,108
Short-term investments	30	594,720	2,814,314
Structured bank deposits	31	662,760	—
Pledged bank deposits	32	1,774,816	676,073
Bank balances and cash	32	728,127	2,557,297
		5,218,944	18,911,711
Current liabilities			
Trade and other payables	33	2,798,209	7,287,370
Deposits received from sale of properties		58,728	59,306
Taxation payable		26,029	62,515
Bank borrowings	34	68,157	9,273,700
Unsecured other loan	35	600	600
Corporate bonds	37	—	761,528
		2,951,723	17,445,019
Net current assets		2,267,221	1,466,692
Total assets less current liabilities		2,788,143	2,276,189

Consolidated Statement of Financial Position *(Continued)*

As At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Deferred tax liabilities	36	**52,584**	58,569
Corporate bonds	37	**721,610**	—
		774,194	58,569
Net assets		**2,013,949**	2,217,620
EQUITY			
Equity attributable to owners of the Company			
Share capital	38	**1,224,214**	484,074
Share premium and reserves		**632,887**	1,483,309
		1,857,101	1,967,383
Non-controlling interests		**156,848**	250,237
Total equity		**2,013,949**	2,217,620

On behalf of the Board

Yuan Shaoli	**Wang Hongxin**
Director	*Director*

Statement of Financial Position

As At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**153**	—
Interests in subsidiaries	18	**—**	1
Amounts due from subsidiaries	18	**481,536**	640,915
		481,689	640,916
Current assets			
Other receivables, prepayments and deposits		**216,818**	1,139
Amounts due from subsidiaries	19	**1,320,436**	1,197,674
Bank balances and cash	32	**27,151**	11,392
		1,564,405	1,210,205
Current liabilities			
Other payables		**59,389**	27,680
Tax payable		**19,152**	—
Corporate bonds	37	**—**	761,528
		78,541	789,208
Net current assets		**1,485,864**	420,997
Total assets less current liabilities		**1,967,553**	1,061,913
Non-current liabilities			
Corporate bonds	37	**721,610**	—
Net assets		**1,245,943**	1,061,913
EQUITY			
Share capital	38	**1,224,214**	484,074
Share premium and reserves	40	**21,729**	577,839
Total equity		**1,245,943**	1,061,913

On behalf of the Board

Yuan Shaoli
Director

Wang Hongxin
Director

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2014

	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$'000*	Shares held for share award scheme *HK$'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 differences 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

Consolidated Statement of Changes in Equity *(Continued)*

For The Year Ended 31 December 2014

	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$'000*	Shares held for share award scheme *HK$'000*	Employee share-based compensation reserve *HK$'000*	Other reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 31 December 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
Transactions with owners:													
Additional interests in a subsidiary acquired by the Group	–	–	–	–	–	–	–	296	–	–	296	(296)	–
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(51,030)	(51,030)
Release and transfer upon disposal of subsidiaries	–	–	–	–	(5,626)	–	–	–	–	5,626	–	3,749	3,749
Total transactions with owners	–	–	–	–	(5,626)	–	–	296	–	5,626	296	(47,577)	(47,281)
Loss for the year	–	–	–	–	–	–	–	–	–	(51,417)	(51,417)	(44,838)	(96,255)
Other comprehensive income:													
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	(21,967)	–	(21,967)	(974)	(22,941)
Reclassification adjustment – Disposal of subsidiaries	–	–	–	–	–	–	–	–	(37,194)	–	(37,194)	–	(37,194)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(59,161)	(51,417)	(110,578)	(45,812)	(156,390)
Transfer upon the abolition of nominal value of shares on 3 March 2014 *(note 38)*	740,140	(738,740)	(1,400)	–	–	–	–	–	–	–	–	–	–
Appropriation to statutory reserve	–	–	–	–	9,388	–	–	–	–	(9,388)	–	–	–
At 31 December 2014	1,224,214	–	–	2,814	22,704	(1,999)	702	296	106,240	502,130	1,857,101	156,848	2,013,949

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

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	**(15,728)**	146,473
Adjustments for:		
Interest income	**(196,698)**	(278,303)
Interest income from entrusted loan receivables	**(24,959)**	(84,757)
Investment income from derivative financial instruments	**—**	(24,860)
Interest expense	**155,329**	317,372
Depreciation of property, plant and equipment	**17,430**	14,344
Amortisation of prepaid land lease payments	**2,222**	2,244
Fair value gain on investment properties	**(3,465)**	(4,999)
Fair value gain upon properties held for sale transferred to investment properties	**—**	(665)
Fair value loss/(gain) on held-for-trading securities	**405**	(1,009)
Gain on disposal of subsidiaries	**(63,901)**	—
Gain on disposal of non-current assets classified as held for sales	**—**	(101,244)
Loss on disposal of property, plant and equipment	**429**	144
Written off of property, plant and equipment	**—**	273
Provision for inventories	**—**	1,462
Impairment of prepayment	**—**	17,954
Employee share-based compensation	**—**	333
Operating (loss)/profit before working capital changes	**(128,936)**	4,762
Increase in properties under development	**(131,707)**	(58,122)
Decrease in properties held for sale	**78,614**	55,731
(Increase)/decrease in inventories	**(17,608)**	12,483
Decrease/(increase) in trade and other receivables	**11,300,214**	(4,894,198)
(Increase)/decrease in loans receivable	**(279,711)**	12,552
(Decrease)/increase in trade and other payables	**(4,436,109)**	4,226,172
(Decrease)/increase in deposits received from sale of properties	**(578)**	38,255
Cash flows in operations	**6,384,179**	(602,365)
Hong Kong profits tax paid	**(608)**	—
PRC enterprise income tax paid	**(49,629)**	(29,628)
PRC land appreciation tax paid	**(2,064)**	(2,593)
Net cash generated from/(used in) operating activities	**6,331,878**	(634,586)

Consolidated Statement of Cash Flows *(Continued)*

For The Year Ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Interest received		165,165	168,413
Interest received from entrusted loan receivables		24,534	83,533
Disposal of subsidiaries	42	299,032	—
Proceeds from disposal of non-current assets classified as held for sale		—	96,696
Purchase of short-term investments		(594,720)	(4,116,842)
Settlement of short-term investments		2,787,764	1,410,648
Decrease in entrusted loan receivables		253,214	308,867
Advance to a related party		—	(50,880)
Purchase of property, plant and equipment		(2,458)	(70,092)
Proceeds from disposal of property, plant and equipment		380	559
Deposits paid for acquisition of property, plant and equipment		(8,316)	(11,448)
Increase in structured bank deposits		(662,760)	—
Investment income received from derivative financial instruments		—	27,467
Increase in pledged bank deposits		(1,098,743)	(318,505)
Net cash generated from/(used in) investing activities		1,163,092	(2,471,584)
Cash flows from financing activities			
Interest paid		(147,457)	(237,639)
Cash flows from discounted bills with recourse		(9,100,220)	4,245,129
New bank loans raised		15,120	5,627
Net proceed from issue of corporate bonds		712,725	—
Repayment of corporate bonds		(756,000)	—
Deposits received from buyers on disposal of subsidiaries		—	16,536
Dividend paid to non-controlling shareholders of subsidiaries		(51,030)	—
Repayment of deposit received from a buyer on a partial disposal of a subsidiary		—	(43,050)
Repayment of bank loans		(9,270)	(358,323)
Net cash (used in)/generated from financing activities		(9,336,132)	3,628,280
Net (decrease)/increase in cash and cash equivalents		(1,841,162)	522,110
Cash and cash equivalents at beginning of year		2,557,297	1,973,076
Effect of foreign exchange rate changes		11,992	62,111
Cash and cash equivalents at end of year, representing bank balances and cash		728,127	2,557,297

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 2014, 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 2014 were approved for issue by the board of directors on 5 March 2015.

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 2014:

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

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

HKFRS 9 (2014) – Financial Instruments

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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 15 – Revenue from Contracts with Customers *(Continued)*

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

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

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

The Group is in the process of making an assessment of the potential impact of these pronouncements in the period of initial application and the directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

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

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

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

3. 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 provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for the financial year and the comparative period continue to be those of the Hong Kong Companies Ordinance, Cap. 32, in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance, Cap. 622 "Accounts and Audit" which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4.3 Foreign currencies translation

Transactions entered into by the consolidated entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 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.

4.5 Property, plant and equipment

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 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 4.14.

4.7 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.

4.8 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 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.

4.10 Financial instruments

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

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

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial instruments *(Continued)*

(i) Financial assets (Continued)

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

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)*

4.10 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, 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)*

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

Interest income (as the case may be, including the handling fees that are an integral part of the effective interest rate) 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 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.

4.13 Income taxes

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

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

  (i) the same taxable entities; or

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 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

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.

4.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. The Hong Kong Companies Ordinance, Cap.622 came into operation on 3 March 2014. Under the Ordinance, shares of the Company do not have nominal value. Considerations received or receivable on the issue of shares on or after 3 March 2014 are credited to share capital. Commissions and expenses as allowed under s.148 and s.149 of the Ordinance are deducted from share capital.

4.16 Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 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.

4.18 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.

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 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.

4.20 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 products 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 products and service lines requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs. Segment results represent the results from each segment without allocation of administration costs incurred and other income generated by head office and the inactive subsidiaries, directors' salaries, gain on disposal of subsidiaries, gain on disposal of non-current assets classified as held for sale and fair value changes of investment properties and held-for-trading securities and finance cost of corporate bonds. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Segment reporting *(Continued)*

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, 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.

4.21 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.

4.22 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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Related parties *(Continued)*

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.

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

5.4 Estimated impairment of trade and other receivables, loans receivable 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 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.

5.6 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 4.5 and 4.6. 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.

5.7 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.

5.8 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 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.

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

5.8 Fair value measurement *(Continued)*

The Group measures a number of items at fair value:

— Investment properties *(note 17)*

— Held-for trading securities *(note 29)*

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 sale 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

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 31 December 2014

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

	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	—	514	5,345	325	151,155	1,146	5,000	163,485
Depreciation	—	(209)	(175)	(4)	(3,983)	(12,830)	(229)	(17,430)
Finance costs	—	—	—	—	(115,193)	—	(40,136)	(155,329)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance								
Fair value gain on investment properties	3,465	—	—	—	—	—	—	3,465
Gain on disposal of subsidiaries	52,636	—	—	—	10,522	—	743	63,901

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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
Results							
Segment results *(Note (a))*	(10,695)	3,810	(3,364)	73	34,906	7,335	32,065
Fair value gain on investment properties *(Note (b))*							4,999
Fair value gain upon properties held for sale transferred to investment properties *(Note (b))*							665
Fair value gain on held-for-trading securities							1,009
Gain on disposal of non-current assets classified as held for sale							101,244
Interest income from entrusted loan receivables							84,757
Unallocated finance costs							(42,032)
Unallocated corporate expenses							(48,694)
Unallocated other income							12,460
Profit before income tax							146,473

	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

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

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment results represent the results from each segment without allocation of administration costs incurred and other income generated by head office and the inactive subsidiaries, directors' salaries, gain on disposal of subsidiaries, gain on disposal of non-current assets classified as held for sale, fair value change of investment properties and held-for-trading securities, finance cost of corporate bonds and interest on deposit received from a buyer in a partial disposal of a subsidiary. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2014	2013
	HK$'000	*HK$'000*
Segment assets		
Property investment*	**58,086**	187,760
Property development	**822,488**	784,627
Financial leasing	**294,288**	135,226
Trading of coal	**93,138**	52,258
Bulk commodity trade	**3,747,096**	17,592,570
Hotel and marine travelling services	**281,959**	227,666
Total segment assets	**5,297,055**	18,980,107
Unallocated		
— entrusted loan receivables	**107,525**	363,744
— other unallocated assets	**274,606**	341,918
— bank balances and cash	**60,680**	35,439
Consolidated assets	**5,739,866**	19,721,208
Segment liabilities		
Property investment	**9,078**	23,510
Property development	**148,814**	105,740
Financial leasing	**7,751**	1,973
Trading of coal	**10,279**	8,725
Bulk commodity trade	**2,689,170**	16,516,491
Hotel and marine travelling services	**35,749**	36,801
Total segment liabilities	**2,900,841**	16,693,240
Corporate bonds	**721,610**	761,528
Deposits received from buyers on disposal of subsidiaries	**—**	16,536
Unallocated	**103,466**	32,284
Consolidated liabilities	**3,725,917**	17,503,588

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

* Segment assets of property investment segment include investment properties but segment results exclude the related fair value gain of HK$3,465,000 (2013: exclude the related fair value gain of HK$5,664,000 and gain on disposal of investment properties of HK$101,244,000) 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).

For the year ended 31 December 2014

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)	—	28	—	5	1,963	246	216	2,458

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

6. SEGMENT INFORMATION (Continued)

Other segment information

The Group's significant operations, external customers and non-current assets (other than financial assets) during the years ended 31 December 2014 and 2013 were mainly 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)	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,045,401**	10,559,017	**276**	816
The PRC	**734,903**	4,941,296	**297,292**	450,537
Singapore	**443,796**	—	**—**	—
	3,224,100	15,500,313	**297,568**	451,353

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

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

Notes:

1. These are customers for bulk commodity trade business.

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

Turnover from major products and services

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

7. OTHER INCOME

	2014 *HK$'000*	2013 *HK$'000*
Interest income from bank deposits and short-term investments	**163,485**	273,560
Interest income from entrusted loan receivables	**24,959**	84,757
Interest income from deposits and other receivables *(note 20)*	**25,505**	—
Interest income from consideration receivable from disposal of a subsidiary	**1,452**	—
Interest income from a related party *(note 27)*	**4,865**	3,335
Interest income from a non-controlling shareholder of a subsidiary *(note 26)*	**1,391**	1,408
Commission income from procurement services related to arranging bulk commodity trade	**—**	70
Investment income on derivative financial instruments	**—**	24,860
Compensation from overdue deposit *(note 20)*	**5,899**	—
Overdue charges under the entrusted loan arrangements	**1,431**	—
Exchange gain	**—**	45,197
Others	**3,586**	129
	232,573	433,316

8. FINANCE COSTS

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

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.

	2014 *HK$'000*	2013 *HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong Profits Tax	—	7,064
PRC EIT	71,377	64,928
PRC LAT	3,215	467
	74,592	72,459
Under-provision in prior years:		
PRC EIT	558	70
Deferred taxation *(note 36)*	5,377	9,626
Taxation charge for the year	80,527	82,155

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rates:

	2014 *HK$'000*	2013 *HK$'000*
(Loss)/profit before income tax	(15,728)	146,473
Tax calculated at PRC EIT rate of 25% (2013: 25%)	(3,932)	36,618
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	2,466	(3,749)
PRC LAT	3,215	467
Tax effect of expenses not deductible for tax purposes	13,601	36,848
Tax effect of income not taxable for tax purposes	(8,695)	(7,585)
Tax effect of tax losses not recognised	49,675	8,209
Tax effect of temporary difference not recognised	(24)	(94)
Withholding tax for undistributed profits of PRC subsidiaries	4,511	11,371
Withholding tax for disposal of PRC subsidiaries	19,152	—
Under-provision in prior years	558	70
Income tax expense	80,527	82,155

10. (LOSS)/PROFIT FOR THE YEAR

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

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

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 2014

	Yuan Shaoli *HK$'000*	Wang Hongxin *HK$'000*	Wang Tianlin *HK$'000*	Zhang Bin (appointed with effect from 30 January 2014) *HK$'000*	Chang Qing *HK$'000*	Lee Man Chun, Tony *HK$'000*	Chan Sheung Lai *HK$'000*	Total *HK$'000*
Fees	360	315	240	220	240	270	270	1,915
Salaries	1,121	867	—	399	—	—	—	2,387
Performance-based bonus *(Note)*	254	343	152	229	—	—	—	978
Contribution to retirement benefits schemes	111	127	—	—	—	—	—	238
Total emoluments	1,846	1,652	392	848	240	270	270	5,518

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

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 (2013: three) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 ***HK$'000***	2013 *HK$'000*
Salaries and other benefits	**1,247**	1,735
Performance-based bonus	**588**	289
Share-based compensation	**—**	26
Contributions to retirement benefits schemes	**25**	30
	1,860	2,080

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

	2014	2013
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**—**	1
	2	2

During the years ended 31 December 2014 and 2013, no remunerations were paid by the Group to the directors or the two (2013: two) highest paid employees 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.

Emoluments of each of the member of senior management were within the following bands:

	2014	2013
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**—**	1
	1	1

12. DIVIDENDS

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

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of HK$51,417,000 (2013: earnings per share is based on the profit for the year attributable to owners of the Company of HK$50,727,000) and on the weighted average number of 4,840,735,000 (2013: 4,840,735,000) ordinary shares in issue during the year.

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

14. RETIREMENT BENEFITS SCHEMES

The Group participates in defined contribution retirement benefits schemes which are 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 10% to 20% (2013: 14% 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 2014, contributions totalling of HK$6,946,000 (2013: HK$2,901,000) 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 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
Currency realignment	(1,419)	(71)	(413)	(33)	(181)	(19)	(2,136)
Additions	847	977	558	—	—	76	2,458
Disposal of subsidiaries	—	(1,518)	(1,154)	(3,447)	—	—	(6,119)
Disposals	—	(1,984)	(1,067)	—	(470)	—	(3,521)
At 31 December 2014	147,486	8,633	41,915	—	18,512	2,060	218,606

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

THE GROUP *(Continued)*

	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
Accumulated depreciation and impairment							
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
Currency realignment	(30)	(27)	(64)	(8)	(24)	—	(153)
Provided for the year	6,432	3,550	1,467	173	5,930	—	17,552
Eliminated on disposal of subsidiaries	—	(826)	(916)	(888)	—	—	(2,630)
Eliminated on disposals	—	(1,569)	(876)	—	(267)	—	(2,712)
At 31 December 2014	9,623	6,481	6,609	—	8,171	—	30,884
Carrying amounts							
At 31 December 2014	137,863	2,152	35,306	—	10,341	2,060	187,722
At 31 December 2013	144,837	5,876	36,993	2,757	16,631	2,003	209,097

THE COMPANY

	Furniture and equipment HK$'000
Cost	
At 1 January 2013 and 31 December 2013	—
Additions	161
At 31 December 2014	161
Accumulated depreciation	
At 1 January 2013 and 31 December 2013	—
Provided for the year	8
At 31 December 2014	8
Carrying amounts	
At 31 December 2014	153
At 31 December 2013	—

16. PREPAID LAND LEASE PAYMENTS

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong:		
— Medium-term leases	**53,767**	56,522

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Opening net carrying amount	**56,522**	56,826
Amortisation charge for the year	**(2,222)**	(2,244)
Currency realignment	**(533)**	1,940
Closing net carrying amount	**53,767**	56,522
Analysed for reporting purposes as:		
Current assets	**2,007**	2,026
Non-current assets	**51,760**	54,496
	53,767	56,522

As at 31 December 2014 and 2013, 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	
	2014	2013
	HK$'000	*HK$'000*
At fair value		
At 1 January	**187,760**	175,558
Currency realignment	**(1,771)**	5,995
Gain on change in fair value recognised in profit or loss	**3,465**	4,999
Disposal of subsidiaries *(note 42)*	**(131,368)**	—
Reclassified from properties held for sale	**—**	1,208
At 31 December	**58,086**	187,760

The carrying amount of investment properties shown above represents properties (2013: land and properties) situated in the PRC held under medium-term leases.

The fair values of the Group's investment properties at 31 December 2014 have been arrived at on the basis of a valuation carried out on that date by Roma Appraisals Limited (2013: B.I. Appraisals Limited), the independent qualified professional valuers. Roma Appraisals Limited and B.I. Appraisals Limited are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

17. INVESTMENT PROPERTIES *(Continued)*

No properties held for sale were transferred to investment properties during the year ended 31 December 2014 (2013: 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 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 made an announcement on 10 December 2012 to disclose the details of the transaction.

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 was recognised in the profit or loss for the year ended 31 December 2013.

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 2014			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Fair value as at 31 December 2014 *HK$'000*
Recurring fair value measurement				
Investment properties:				
Property units – the PRC	—	—	58,086	58,086

17. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

	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 years ended 31 December 2014 and 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:

	2014 ***HK$'000***	2013 *HK$'000*
Opening balance (Level 3 recurring fair value)	**187,760**	175,558
Currency realignment	**(1,771)**	5,995
Fair value change	**3,465**	4,999
Disposal of subsidiaries	**(131,368)**	—
Reclassified from properties held for sale	**—**	1,208
Closing balance (Level 3 recurring fair value)	**58,086**	187,760
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	**3,465**	5,664

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

The fair value of property units in the PRC was determined based on investment method (2013: The fair value of land and property units in the PRC was determined based on 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.

17. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

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.

Significant unobservable inputs	Range
Adjustment on quality of land and properties units under direct comparison method	2014: N/A* (2013: 49%–80%)

* The fair value of land and property units in the PRC which was measured by direct comparison method was disposed of during the year ended 31 December 2014.

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 existing 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% (2013: 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	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,000**	1,001
Less : Impairment	**(1,000)**	(1,000)
	—	1
Amounts due from subsidiaries	**481,536**	640,915

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 are as follows:

Company	Place of incorporation/ operations	Particulars of paid-up capital/ issued share capital	Equity interest owned by the Company %	Principal activities
Directly held:				
Galactic Investment Limited	Hong Kong	HK$2	100	Investment holding
Indirectly held:				
Chengtong Trading (International) Limited	Hong Kong	HK$429	100	Bulk commodity trade
Price Sales Limited	Hong Kong	HK$10,000	100	Investment holding
諸城鳳凰置地有限公司**	The PRC	RMB50,000,000	100	Property development
誠通大豐海港開發有限公司 (「大豐海港開發」)*	The PRC	RMB150,000,001	66.67	Property development
誠通融資租賃有限公司**	The PRC	US$40,000,000	100	Financial leasing
誠通發展貿易有限公司**	The PRC	RMB100,000,000	100	Bulk commodity trade
誠通能源廣東有限公司** (formerly known as 大豐瑞能燃料有限公司) ("Chengtong Energy")	The PRC	RMB50,000,000	51 (2013: 34 *(note)*)	Trading of coal
海南亞龍灣海底世界旅遊有限公司**	The PRC	RMB96,000,000	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	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: As at 31 December 2013, 大豐海港開發 held directly 51% interest of Chengtong Energy and 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, Chengtong Energy 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 2014 and 2013 or at any time during the respective year.

The following table lists out the information relating to 大豐海港開發 (2013: Chengtong Development International Trading Limited, 大豐海港開發 and 杭州瑞能金屬材料有限公司), the subsidiary(ies) 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 *(note)*		大豐海港開發		杭州瑞能金屬材料有限公司 *(note)*	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
As at 31 December						
NCI percentage	—	45%	**33.33%**	33.33%	—	45%
Current assets	—	11,676,350	**475,083**	660,374	—	4,291,848
Non-current assets	—	697	**487**	2,951	—	572
Current liabilities	—	(11,539,518)	**(80,843)**	(257,555)	—	(4,231,100)
Non-current liabilities	—	—	**—**	—	—	—
Net assets	—	137,529	**394,727**	405,770	—	61,320
Carrying amount of NCI	—	61,888	**131,563**	135,243	—	27,594
For the year ended 31 December						
Revenue	—	11,766,441	**1,785**	—	—	7,488,660
Profit/(loss) for the year	—	37,025	**(7,482)**	(9,785)	—	578
Total comprehensive income	—	43,942	**(11,043)**	3,859	—	(1,357)
Profit/(loss) allocated to NCI	—	16,661	**(2,494)**	(3,261)	—	260
For the year ended 31 December						
Cash flows from operating activities	—	(3,972,196)	**(999)**	(8,297)	—	2,773,538
Cash flows from investing activities	—	427,571	**(33)**	19	—	(2,737,948)
Cash flows from financing activities	—	3,692,947	**(842)**	(12,769)	—	(7,814)
Net cash inflows/(outflows)	—	148,322	**(1,874)**	(21,047)	—	27,776

Note:

As at 31 December 2014, Chengtong Development International Trading Limited and 杭州瑞能金屬材料有限公司 have already been disposed of by the Group and ceased to be subsidiaries of the Group. The details of disposals are shown in note 42.

19. AMOUNTS DUE FROM SUBSIDIARIES

As at 31 December 2014, except for a balance with a subsidiary of approximately HK$18,387,000 (2013: 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.

20. DEPOSITS PAID

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

Note:

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

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

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

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

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

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

20. DEPOSITS PAID *(Continued)*

Note: (Continued)

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

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

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

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

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

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

Chengtong Coal was a wholly owned subsidiary of the Group that entered into the Acquisition under the Framework Agreement and the Sale and Purchase Agreement. The disposal of entire issued share capital and total indebtedness owing or incurred by Chengtong Coal was completed on 19 December 2014. Details of disposal are set out in note 42.

For the year ended 31 December 2014, the Compensation of RMB4,682,000 (equivalent to approximately HK$5,899,000), interest accrued from the Deposits of RMB18,716,000 (equivalent to approximately HK$23,582,000) and interest accrued from loan receivables from Coal Mine Company of RMB1,526,000 (equivalent to approximately HK$1,923,000) were charged to the profit or loss as other income (note 7).

Details in relation to the Framework Agreement, the termination of the Framework Agreement and the Sale and Purchase Agreement and the entering into of the SP Agreement are set out in the Company's announcements dated 21 August 2012, 6 February 2013, 24 June 2013, 31 October 2013, 1 April 2014, 8 July 2014, 20 August 2014 and circular dated 23 September 2014 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. During the year ended 31 December 2014, carrying amount of HK$255,524,000 was transferred from properties under development to properties held for sale (2013: nil).

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.

23. INVENTORIES

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

24. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**26,841**	38,043
Bills receivable from bulk commodity trade *(note (b))*	**53,037**	11,498,904
Trade and bills receivable	**79,878**	11,536,947
Prepayments and deposits *(note (c))*	**43,394**	19,291
Other receivables	**66,015**	153,355
Consideration receivable for disposal of a subsidiary *(note 42)*	**214,157**	—
Total trade and other receivables	**403,444**	11,709,593

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

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

As at 31 December 2014 and 2013, bulk commodity trading was mainly settled by cash or bills issued by PRC banks which are receivable in 1 year from the date of issuance.

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

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

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

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

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

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

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

These banker's acceptances are issued to the Group and are due within 1 year (2013: 1 year) from the date of issuance. Those banks issuing the banker's acceptances, which are state-owned banks or commercial banks in the PRC, are the primary obligors for payment on the due date of such banker's acceptances.

At 31 December 2014, HK$53,037,000 (2013: HK$9,481,204,000) of the bills receivable have been discounted to the banks with recourse. The Group is committed to underwrite any of the bills receivable that have been discounted and therefore continues to recognise these as bills receivable until the banks collect the debts. The proceeds from bills receivable that have been discounted to banks of HK$53,037,000 (2013: HK$9,264,430,000) are included in bank borrowings (note 34) until the debts are collected or the Group makes good any losses suffered by the banks.

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

25. LOANS RECEIVABLE

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

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

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

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

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

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 7.20% (2013: 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$1,391,000 (2013: HK$1,408,000) 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$50,400,000) 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. The Group entered into an extension agreement with 中國寰島(集團)公司 to extend the short-term loan to 9 October 2014 and further extend and repayable on 9 October 2015. During the year, the Group has interest income of HK$4,865,000 (2013: HK$3,335,000) from this related party.

28. ENTRUSTED LOAN RECEIVABLES

As at 31 December 2014, the Group had entered into two (2013: five) entrusted loan arrangements with financial institutions, in which the Group acted as the entrusting parties and the financial institutions acted as the lenders to provide funding to specified borrowers. Details of the entrusted loan receivables are as follows:

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

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

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

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

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

29. HELD-FOR-TRADING SECURITIES

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Held-for-trading securities		
Equity securities listed in Hong Kong	**1,703**	2,108

30. SHORT-TERM INVESTMENTS

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

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

As at 31 December 2014, short-term investments of HK$428,400,000 and HK$15,120,000 were pledged to secure the bills payable (note 33(d)) and short-term bank loans (note 34(b)) respectively (2013: HK$2,807,954,000 was pledged to secure bills payable of the Group (note 33(d))).

31. STRUCTURED BANK DEPOSITS

The structured bank deposits were interest-bearing and not quoted in an active market. The principal and interest earned are linked to the investments associated with treasury bills and bonds of certain banks in the PRC. As at 31 December 2014, the entire balance was subject to maturity ranged from 30 to 181 days. Structured bank deposits of HK$183,960,000 were pledged to bills payable as at 31 December 2014 (note 33(d)) (2013: nil).

32. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash				
Cash at banks and in hand	**728,127**	2,557,297	**27,151**	11,392
Pledged bank deposits				
Deposits pledged against banking facilities granted to mortgagees	**1,834**	1,473	**—**	—
Deposits pledged to secure short-term bank loans *(note 34)*	**—**	1,746	**—**	—
Deposits pledged to bills payable *(note 33(d))*	**1,772,982**	672,854	**—**	—
	1,774,816	676,073	**—**	—

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 0.6% (2013: from 0.01% to 3.12%) 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 and pledged bank deposits held by the Group's PRC subsidiaries amounting to HK$2,397,447,000 (2013: HK$2,373,057,000) 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 50 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.

No pledged bank deposit is subject to offsetting arrangement as at 31 December 2014.

33. TRADE AND OTHER PAYABLES

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

Notes:

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

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

(b) On 25 July 2013, the Group entered into a memorandum with an independent third party and intended to dispose of the entire issued capital of a subsidiary, Chengtong Enterprises Investment Limited (誠通企業投資有限公司) and certain of its subsidiaries (collectively referred to as the "Chengtong Enterprises Group"), at a preliminary purchase price amounted to RMB150,000,000 (equivalent to approximately HK$190,800,000). As at 31 December 2013, the Group has received RMB3,000,000 (equivalent to approximately HK$3,816,000) as earnest money from the purchaser and the purchaser has the exclusive right to purchase Chengtong Enterprises Group. The formal agreement was not yet signed as at 31 December 2013. During the year ended 31 December 2014, the Group re-arranged the proposed disposal and entered into an asset transaction agreement with another independent third party to dispose the entire issued capital of Chengtong Enterprises Group (note 42(ii)). The deposit received will be refunded to the initial purchaser. As at 31 December 2014, the deposit was reclassified as other payables.

On 19 November 2013, the Group entered into a memorandum with an independent third party and intended to dispose of the entire issued capital of a subsidiary, Chengtong Dafeng Harbour Development Limited (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 received RMB10,000,000 (equivalent to approximately HK$12,720,000) as earnest money from the purchaser. As at 31 December 2014, the deposit paid was refunded in cash to the purchaser.

(c) As disclosed in note 50 to the financial statements, as at 31 December 2013, gross amount of bills payable of HK$2,138,484,000 was subject to enforceable netting arrangements. 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.

No bills payable is subject to offsetting arrangement as at 31 December 2014.

33. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

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

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

As at 31 December 2014, the Company has not provided corporate guarantees 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 Company has provided corporate guarantees amounted to HK$356,160,000 to the banks in respect of the banking facilities granted to the subsidiaries of the Group in relation to the bills payable and the amount of these corporate guarantees which has been utilised for bills payable was amounted to HK$63,600,000.

34. BANK BORROWINGS

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Secured bank borrowings		
Discounted bills with recourse *(note 24) (note (a))*	**53,037**	9,264,430
Short-term bank loans *(note (b))*	**15,120**	9,270
	68,157	9,273,700

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

As at 31 December 2014, the Company has provided corporate guarantees of HK$232,800,000 (2013: HK$5,803,803,000) to the banks in respect of the banking facilities granted to a subsidiary of the Group in relation to the discounted bills with recourse and the amount of these corporate guarantees which has been utilised for discounted bills with recourse was amounted to HK$53,037,000 (2013: HK$2,739,071,000).

(b) As disclosed in note 50 to the financial statements, as at 31 December 2013, gross amount of bank borrowings of HK$1,712,669,000 was subject to enforceable netting arrangements. 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.

No bank borrowing is subject to offsetting arrangement as at 31 December 2014.

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

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

35. UNSECURED OTHER LOAN

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

36. DEFERRED TAX

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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 HK$'000	Undistributed profits of PRC subsidiaries* HK$'000	Total HK$'000
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
Charge to profit or loss	866	4,511	5,377
Disposal of subsidiaries *(note 42)*	(4,618)	(6,192)	(10,810)
Exchange differences	(412)	(140)	(552)
At 31 December 2014	39,534	13,050	52,584

* 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 unused tax losses not recognised in the consolidated financial statements as follows:

	THE GROUP 2014 HK$'000	2013 HK$'000
Estimated unused tax losses	**223,283**	156,769

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 unused tax losses are losses of approximately HK$23,016,000 (2013: HK$17,200,000) that will expire on various dates within five years from the reporting dates. Other estimated tax losses may be carried forward indefinitely.

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At 31 December 2014, the Company has estimated unused tax losses of HK$155,468,000 (2013: HK$96,552,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The estimated unused tax losses may be carried forward indefinitely.

37. CORPORATE BONDS

	THE GROUP AND THE COMPANY	
	2014	2013
	HK$'000	*HK$'000*
Corporate bonds	**721,610**	761,528

As at 31 December 2014

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

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

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

As at 31 December 2013

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

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

Net proceeds from the issue of the 2014 Bonds was reduced by transaction costs amounted to approximately RMB10,398,000. The effective interest rate of the 2014 Bonds is approximately 5.13% per annum.

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

38. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2014		2013	
	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
Issued and fully paid:				
At 1 January	**4,840,735**	**484,074**	4,840,735	484,074
Transferred from share premium and capital redemption reserve in accordance with the transition to no-par value regime on 3 March 2014	**—**	**740,140**	—	—
At 31 December	**4,840,735**	**1,224,214**	4,840,735	484,074

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

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

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

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

39. 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 employee (whether full time or part time, including any executive director but excluding any non-executive director) of, or any individual for the time being seconded to work for, the Company, any subsidiary or any entity in which any member of the Group holds any equity interest ("Invested Entity") or any employee or officer of the controlling shareholder of the Company; (b) any non-executive director (including independent non-executive directors) of the Company, any subsidiary of the Company 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 any area of business or business development of 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 on the date it was adopted.

An offer of the grant of an option under the New Scheme (the "Option") may be accepted within 21 days from the date of grant together with a remittance of HK$1.00 by way of consideration for the grant thereof. 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.

39. SHARE OPTION SCHEME *(Continued)*

The subscription price for the shares of the Company on the exercise of the Option shall be determined at the discretion of the Board 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 *(note)*. Holding period will be determined by directors upon granting.

As at 31 December 2014 and 2013, no share option had been 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.

(Note: the Hong Kong Companies Ordinance, (Cap.622) came into operation on 3 March 2014, under which the shares of the Company would no longer have nominal value.)

40. SHARE PREMIUM AND RESERVES

THE GROUP

Details of changes in share premium and reserves of the Group are set out in the consolidated statement of changes in equity on pages 35 and 36.

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$'000	Accumulated profits/ (losses) HK$'000	Total HK$'000
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
Profit for the year	—	—	—	—	—	184,030	184,030
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	184,030	184,030
Transfer to the share capital upon the abolition of nominal value of shares on 3 March 2014 *(note 38)*	(738,740)	(1,400)	—	—	—	—	(740,140)
At 31 December 2014	—	—	(1,999)	702	892	22,134	21,729

41. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments as lessee

At 31 December 2014, 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	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**3,607**	3,698	**2,413**	1,887
In the second to fifth years inclusive	**5,879**	2,273	**4,423**	—
	9,486	5,971	**6,836**	1,887

Leases are negotiated for terms ranging from one to ten years. (2013: one to ten years). None of these leases include contingent rentals.

(b) Operating lease commitments as lessor

At 31 December 2014, the Group has contracted with tenants for the following future minimum lease receivables:

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,065**	1,747
In the second to fifth years inclusive	**3,701**	4,706
Over five years	**3,472**	4,467
	9,238	10,920

Leases are negotiated for terms ranging from one to ten years. (2013: one to ten years).

42. DISPOSAL OF SUBSIDIARIES

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

Year ended 31 December 2014

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

(i) Disposal of Chengtong Coal

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

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) Disposal of Chengtong Enterprises Group

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

(iii) Disposal of Chengtong Development International Trading Limited

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

(iv) Disposal of 杭州瑞能金屬材料有限公司

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

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net assets/(liabilities) of (i) Chengtong Coal; (ii) Chengtong Enterprises Group; (iii) Chengtong Development International Trading Limited and (iv) 杭州瑞能金屬材料有限公司 at date of disposal were as follows:

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

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

Notes:

(a) Consideration of approximately HK$214,158,000 has been received by the Group during the year end 31 December 2014, while the remaining consideration of approximately HK$214,157,000 on disposal of Chengtong Coal will be settled in cash by the Purchaser on or before 19 December 2015. Such balance bears interest at 4% per annum. The consideration receivable is presented as consideration receivable for disposal of a subsidiary under trade and other receivables in note 24.

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

43. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with related parties

Save as disclosed elsewhere in the financial statements, during the year, the Group had also entered into the following significant transactions with the following related parties:

Name of related parties	Nature of transactions/balances	2014 HK$'000	2013 HK$'000
The wholly-owned subsidiaries of the ultimate holding company			
Mosway Group Limited	Interest income in relation to consideration receivable for disposal of a subsidiary	1,452	—
中國寰島(集團)公司	Interest income	4,865	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
廣州市同正煤炭貿易有限公司	Sale of coal	15,108	—
	Trade receivables	9,943	—
廣東物資燃料有限公司	Prepayment	1,890	—

Save as disclosed above, 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.

(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 dominated 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;

— purchase of bulk commodity; and

— sales of bulk commodity.

43. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

	2014 HK$'000	2013 HK$'000
Transactions with government-related entities:		
Sales of coal	—	5,339
Gross purchase of bulk commodity	627,762	151,001
Gross sales of bulk commodity	121,578	—

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 bank deposits, 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 material to the financial statements.

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

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	4,302	4,547
Bonus	978	1,182
Share-based compensation	—	169
Post-employment benefits	238	357
	5,518	6,255

(d) At 31 December 2014, the ultimate holding company, CCHG, provided corporate guarantees amounted to HK$441,000,000 (At 31 December 2013: HK$1,356,000,000) to the banks in respect of the banking facilities granted to the subsidiaries of the Group.

(e) During the year ended 31 December 2014, the Group disposed of 100% equity interest in Chengtong Coal to a wholly owned subsidiary of CCHG at a consideration of HK$428,315,000. The gain on disposal of a subsidiary of HK$743,000 had been dealt with in the profit or loss (note 42).

44. 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 Group monitors capital on the basis on the total debt to total assets ratio. This ratio as calculated as total debt divided by total assets. Total debt is calculated as bank borrowings, unsecured other loan and corporate bonds disclosed in notes 34, 35 and 37 respectively.

44. CAPITAL RISK MANAGEMENT *(Continued)*

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 associated 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 total debt to total assets ratio at the end of reporting period was as follows:

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Current liabilities		
Bank borrowings	**68,157**	9,273,700
Unsecured other loans	**600**	600
Corporate bonds	**—**	761,528
	68,757	10,035,828
Non-current liabilities		
Corporate bonds	**721,610**	—
	721,610	—
Total debt	**790,367**	10,035,828
Total assets	**5,739,866**	19,721,208
Total debt to total assets ratio	**13.8%**	50.9%

45. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	**1,703**	2,108
Loans and receivables (including cash and cash equivalents)	**4,583,850**	18,178,908
Financial liabilities		
At amortised costs	**3,580,817**	17,293,960

	THE COMPANY	
	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,045,573**	1,850,773
Financial liabilities		
At amortised costs	**780,999**	765,621

45. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, loans receivable, 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, structured bank deposits, 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 2014 and 2013 are as follows:

	THE GROUP			
	Assets		Liabilities	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**23,360**	2,293,351	**—**	3,405,330

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.

Sensitivity analysis

The functional currency of certain major subsidiaries of the Group is RMB. The Group is mainly exposed to currency risk between RMB and 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 result while a negative number below indicates a decrease in post-tax result. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on the post-tax result.

	THE GROUP	
	2014	2013
	HK$'000	*HK$'000*
(Decrease)/increase in result for the year	**(975)**	46,425

45. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies (Continued)

Price risk

The Group's held-for-trading securities in listed securities are measured at fair value at the end of each reporting date with reference to the quoted prices. Therefore, the Group is exposed to equity price risk and the management of the Group will monitor the price movements and take appropriate actions when 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, loans receivable, amount due from a non-controlling shareholder of a subsidiary, structured bank deposits and short-term investments. The fair value interest rate risk relates primarily to the Group's fixed rate entrusted loan receivables, loan to a related party, discounted bills with recourse, short-term bank loans and corporate bonds. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group has exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, amount due from a non-controlling shareholder of a subsidiary, structured bank deposits and short-term investments. The directors consider the Group's exposure of the short-term bank deposits, amount due from a non-controlling shareholder of a subsidiary, structured 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, amount due from a non-controlling shareholder of a subsidiary, structured bank deposits and short-term investments are within short maturity period and thus it is not included in sensitivity analysis.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates after considering the impact of the interest expenses being capitalised as properties under development at the end of the reporting period. A 50 basis points (2013: 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 2014, if interest rates on interest bearing loans receivable had been 50 basis points higher/lower and all of other variables were held constant, the post-tax result would increase/ decrease by approximately HK$1,049,000.

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

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, loans receivable, entrusted loan receivables, amount due from a non-controlling shareholder of a subsidiary, loan to a related party, structured bank deposits and 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, loans receivable, entrusted loan receivables, amount due from a non-controlling shareholder of a subsidiary, loan to a related party, structured bank deposits and 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.

45. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies (Continued)

Credit risk *(Continued)*

Before accepting any new lessee under sale and leaseback arrangement or entrusted loan borrower, the Group assesses the credit quality of each potential lessee or entrusted loan borrower and defined limits for each lessee or entrusted loan borrower. The Group also demands certain 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 sale and leaseback arrangement or entrusted loan agreement is entered into. In addition, the Group has reviewed the repayment history of sale and leaseback payments from each lessee with reference to the repayment schedule from the date of loans receivable and the Group has also assessed the financial ability of the entrusted loan borrowers to determine the recoverability of the loans receivable 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 2014, the Group has concentration of credit risk with (a) two customers from coal trading, with amount of trade receivables of HK$26,800,000, (b) three lessees from sale and leaseback arrangements, with amount of loans receivable of HK$279,711,000; and (c) two entrusted loan receivables of HK$107,525,000 (2013: a customer from coal trading, with amount of trade receivables of HK$37,991,000 and five entrusted loan receivables of HK$363,744,000). To monitor the credit risk exposure, the management of the Group has reviewed the recoverability of each debtor periodically.

The Group carried out bulk commodity trade business involving purchase and sale transactions. The Group sold the commodity in a short period of time after purchase to generate a profit. Bulk commodity trade business involves various individual suppliers and customers. During the year ended 31 December 2014, 16% (2013: 63%) 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 2014, the Group has concentration of credit risk with bills receivable from bulk commodity trade issued by one (2013: twelve) bank(s). 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 2014, the Group has structured bank deposits and four (2013: fourteen) short-term investments which represent structured deposits and investment products of certain corporations and banks in the PRC. The credit risk on these structured bank deposits and short-term investments is insignificant as the counterparties are banks with high credit-rating or with good reputation.

At 31 December 2014, the Company also has significant concentration of credit risk which has an amount of HK$1,801,972,000 and (2013: HK$1,838,589,000) due from a number of subsidiaries. The directors of the Company have 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.

45. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial risk management objectives and policies (Continued)

Liquidity risk *(Continued)*

Liquidity table

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

At 31 December 2014

	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	—	2,790,450	—	2,790,450	2,790,450
Bank borrowings	3.88%	68,641	—	68,641	68,157
Unsecured other loans	—	600	—	600	600
Corporate bonds	4.00%	30,216	797,040	827,256	721,610
		2,889,907	797,040	3,686,947	3,580,817
Financial guarantee issued					
Maximum amount guaranteed		138,365	—	138,365	—

	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	—	59,389	—	59,389	59,389
Corporate bonds	4.00%	30,216	797,040	827,256	721,610
		89,605	797,040	886,645	780,999
Financial guarantee issued					
Maximum amount guaranteed		53,037	—	53,037	—

45. 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	—

45. 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 (2013: listed equity securities) 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 2014 and 2013, the listed equity securities which grouped into Level 1 amounted to HK$1,703,000 and HK$2,108,000 respectively.

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

Fair value hierarchy

	The Group Fair value measurement as at 31 December 2014			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Fair value as at 31 December 2014** *HK$'000*
Recurring fair value measurement				
Financial assets:				
Held-for-trading securities	**1,703**	**—**	**—**	**1,703**

	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

46. MAJOR NON-CASH TRANSACTION

As disclosed in note 42(b), the disposal of the entire equity interest in Chengtong Enterprises Group is at a consideration of RMB420,000,000 (equivalent to approximately HK$529,200,000), in which RMB294,000,000 (equivalent to approximately HK$370,440,000) of the consideration is not settled by cash and is offset against the amount owed by the Group to Chengtong Enterprises Group.

For the year ended 31 December 2013, there is no major non-cash transaction.

47. CONTINGENT LIABILITIES

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

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

As at 31 December 2014 and 2013, 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.

48. GUARANTEES

THE COMPANY

At 31 December 2014, the Company provided corporate guarantees to its subsidiaries as follows:

— corporate guarantees amounted to HK$232,800,000 (2013: HK$5,803,803,000) and nil (2013: HK$356,160,000) to the banks in respect to the banking facilities granted to the subsidiaries of the Group in relation to the discounted bills with recourse and bills payable respectively.

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.

49. COMMITMENTS

(a) Capital commitments

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

(b) Other commitments

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

Year ended 31 December 2013

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

50. 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 arrangement of financial assets and financial liabilities as at 31 December 2014.

50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

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 amount 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

51. POST REPORTING DATE EVENT

On 22 January 2015, 海南寰島酒店旅遊投資有限公司, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an indirect wholly-owned subsidiary of CCHG to acquire 100% equity interest of 海南寰島國際旅行社有限公司 (the "Target Company") at the consideration of approximately RMB7,425,000 (equivalent to approximately HK$9,356,000). The acquisition of the Target Company constituted a connected transaction under the Listing Rules. Details of the acquisition were set out in the Company's announcement dated 22 January 2015.

Principal Properties

AT 31 DECEMBER 2014

A. INVESTMENT PROPERTIES

Location	Group's effective interest	Approximate site area *(sq. m)*	Approximate gross floor area *(sq. m)*	Usage	Category of 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

Principal Properties *(Continued)*

AT 31 DECEMBER 2014

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	Part of Section II work in progress	Remaining Section II is expected to be completed in Year 2015
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 III work in progress	Phase III is expected to be completed in Year 2016 to 2020

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)*	20,561 (Section I and II)	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)*	47,745 (Phase I and II)	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.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the year ended 31 December 2014 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.

	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**3,224,100**	15,500,313	8,626,661	419,483	89,996
(Loss)/profits attributable to owners of the Company	**(51,417)**	50,727	184,526	36,381	87,890
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	**187,722**	209,097	145,752	8,400	8,047
Prepaid land lease payments	**51,760**	54,496	54,866	—	—
Investment properties	**58,086**	187,760	175,558	237,741	222,784
Loans receivable	**194,173**	—	—	11,139	—
Deposits paid	**29,181**	358,144	338,850	—	—
Restricted bank balance	**—**	—	—	—	4,200
Current assets					
Restricted bank balance	**—**	—	—	4,200	—
Properties held for sale	**287,498**	111,641	162,371	152,533	—
Properties held for development	**311,006**	313,968	303,601	301,133	291,259
Properties under development	**160,469**	283,996	218,295	251,427	318,030
Inventories	**23,191**	5,583	19,528	74,896	—
Trade and other receivables	**403,444**	11,709,593	6,504,106	761,363	67,378
Loans receivable	**85,538**	—	12,552	11,665	60,154
Prepaid land lease payments	**2,007**	2,026	1,960	—	—
Entrusted loan receivables	**107,525**	363,744	649,219	113,714	—
Held-for-trading securities	**1,703**	2,108	1,101	1,281	8,266
Derivative financial instruments	**—**	—	2,521	—	—
Short-term investments	**594,720**	2,814,314	104,550	328,404	—
Structured bank deposits	**662,760**	—	—	—	—
Pledged bank deposits	**1,774,816**	676,073	355,895	—	—
Bank balances and cash	**728,127**	2,557,297	1,973,076	948,829	716,617
Amount due from a non-controlling shareholder of a subsidiary	**21,686**	20,488	18,450	18,567	17,958
Loan to a related party	**54,454**	50,880	—	—	—
Non-current assets classified as held for sale	**—**	—	83,320	—	—
Total assets	**5,739,866**	19,721,208	11,125,571	3,225,292	1,714,693

Financial Summary *(Continued)*

	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Trade and other payables	**(2,798,209)**	(7,287,370)	(2,943,433)	(144,189)	(35,525)
Deposits received from sale of properties	**(58,728)**	(59,306)	(21,051)	(14,573)	(39,396)
Amounts due to related companies	**—**	—	—	—	(508)
Amount due to ultimate holding company	**—**	—	—	—	(461)
Taxation payable	**(26,029)**	(62,515)	(21,474)	(9,904)	(8,663)
Bank borrowings	**(68,157)**	(9,273,700)	(5,194,634)	(643,937)	(47,200)
Unsecured other loans	**(600)**	(600)	(600)	(600)	(600)
Loan from a non-controlling shareholder of a subsidiary	**—**	—	—	(549)	—
Deposit received from disposal of an investment property	**—**	—	(94,095)	—	—
Corporate bonds	**—**	(761,528)	—	—	—
Non-current liabilities					
Deferred tax liabilities	**(52,584)**	(58,569)	(47,327)	(12,953)	(1,907)
Corporate bonds	**(721,610)**	—	(731,984)	(721,845)	—
Total liabilities	**(3,725,917)**	(17,503,588)	(9,054,598)	(1,548,550)	(134,260)