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

2015

ANNUAL REPORT

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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
He Jia

AUDIT COMMITTEE

Lee Man Chun, Tony *(Chairman)*
Chang Qing
He Jia

REMUNERATION COMMITTEE

He Jia *(Chairman)*
Lee Man Chun, Tony
Wang Hongxin

NOMINATION COMMITTEE

Chang Qing *(Chairman)*
Lee Man Chun, Tony
Yuan Shaoli

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
Luso Int'l Banking Ltd
Morgan Stanley Asia International Ltd

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STOCK CODE

217

Chairman's Statement

I, on behalf of the board of directors (the "**Board**") of China Chengtong Development Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), hereby present to all shareholders the annual report of the Company for the year ended 31 December 2015 (the "**Year**").

During the Year, the Group responded actively to various unfavorable factors brought by the deceleration of economic growth rate, and put forward steadily a number of tasks. As of 31 December 2015, the Group recorded turnover of approximately HK$576.53 million (2014: approximately HK$3,224.10 million). Profit attributable to owners of the Company amounted to approximately HK$81.83 million (2014: loss of approximately HK$51.42 million). Profit before tax amounted to approximately HK$126.32 million (2014: loss of approximately HK$15.73 million). The significant decrease in the turnover of the Group for the Year over that of 2014 was attributable to temporary suspension of the operation of bulk commodity trading business since February 2015 due to the Group's consolidation of internal and external environment and the changes in the industry. In 2014, the Group adopted powerful measures to adjust its operational strategy, optimized management and control model and decreased the liabilities. During the Year, the effect of the adjustment on various business of the Group has been gradually shown. Although a decrease in revenue was recorded, the profitability increased significantly and the Company turned loss into profit, where the asset-liability structure was optimized constantly.

Currently, the Group is principally engaged in hotel and marine travelling services, property development and property investment, financial leasing and trading of coal. In the aspect of hotel and marine travelling services, the key tasks in 2015 were to advance in product upgrading and structural transformation, and certain achievements were obtained. In the aspect of property development and property investment, in the first half of 2015, the Group carried out the acquisition of 100% equity interests of Haikou Cuidao Hotspring Resort Hotel Company Limited ("**Cuidao Hotspring Hotel**"), and planned to develop the elderly healthcare business with existing high quality real estates and land resources. In the aspect of financial leasing, since the Group restarted the business last year, the Group completed numerous leasing projects in the fields of government infrastructures, high-end equipment manufacturing, energy conservation and environmental protection, and brilliant development trend was seen. In the aspect of trading of coal, in response to specifically the current situation of down-sloping in coal price, the Group prudently launched the development of relevant business with stringent risk control. Meanwhile, in consideration of wide development prospect and market potential of the elderly healthcare business, the Group continuously strengthened the research and exploration in this industry since 2015, and the Group was planning to take the opportunity to enter the elderly healthcare industry to develop new growth points of profit by creating specific benchmark project.

2016 is the year of kicking off of the Thirteenth Five Year Plan, also a year critical for the State-owned enterprises reform. Along with the successive issues of top-level design policies and supporting programs for reforms of State-owned assets, State-owned enterprises reform will facilitate concrete advances. 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, speed up development to strengthen value-creating ability depending on the changes in situation.

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 during the Year.

Yuan Shaoli
Chairman

Hong Kong, 4 March 2016

Management Discussion and Analysis

I. RESULTS AND DIVIDEND

Since February 2015, the Group has temporarily suspended its bulk commodity trade business and its currently-owned assets are divided into four core businesses and concentrated within the territory of the PRC, including hotel and marine travelling services, property development and property investment, finance leasing and trading of coal.

During the Year, the Group recorded a turnover of approximately HK$576.53 million (2014: approximately HK$3,224.10 million), representing a drastic decrease of approximately 82% as compared to that in 2014. The decrease in turnover was mainly due to the fact that the Group has temporarily suspended its bulk commodity trade business since February 2015 as the demand for bulk commodities in China has no signs of improvement, thus causing a drastic decrease in the turnover of 2015 as compared to that in last year. Despite a decrease in revenue of the Group, significant risk related to the operation of bulk commodity trade business of the Group was eliminated and the business structure of the Group was optimized.

During the year 2015, the Group recorded profit before tax of approximately HK$126.32 million (2014: loss before tax of approximately HK$15.73 million) and profit after tax of approximately HK$76.93 million (2014: loss after tax of approximately HK$96.26 million). The main reasons for the profit recorded during the year are as follows: (i) there was an increase of approximately HK$39 million in the income from the finance lease business which has resumed during the year; (ii) suspension of bulk commodity trade business at the beginning of the year has led to a substantial decrease in the relevant operating expenses of approximately HK$38.34 million and finance costs of approximately HK$106.08 million; (iii) the depreciation of RMB in the year has led to an exchange gain of approximately HK$42.27 million arising from the RMB liabilities of the Company; and (iv) a prepayment in the amount of approximately HK$16.86 million that had been impaired in the previous years was reversed during the year.

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

II. BUSINESS REVIEW

Segment revenue and results

During the year 2015, the Group is principally engaged in hotel and marine travelling services, property development and property investment, finance leasing and trading of coal.

(1) Hotel and Marine Travelling Services

The Group has been engaged in marine travelling, hotel operation and travel agency business in Yalong Bay Tourism Development Zone, Jiyang Town, Sanya City, Hainan Province, the PRC. Currently, new projects of the marine tourism sector are under construction and no revenue has been generated. The existing mature businesses face fierce competition, and the Group increases revenue while reducing expenditure through various means. During the Year, turnover of marine travelling business amounted to approximately HK$48.42 million (2014: approximately HK$46.71 million), representing an increase of approximately 4% as compared to that in 2014, and the gross profit margin was approximately 67% (2014: approximately 67%), which remained unchanged from 2014. Operating profit before tax amounted to approximately HK$17.13 million (2014: approximately HK$17.92 million), representing a decrease of approximately 4.4% as compared to that in 2014. Although a marine platform, an operation equipment, was destroyed by typhoon and made a loss of approximately HK$5.68 million, the marine travelling business still recorded profit before tax of approximately HK$11.45 million (2014: approximately HK$17.92 million). Hotel business is in the stage of product upgrade and transformation. Despite an average occupancy rate for the year 2015 of approximately 45% (2014: approximately 42%) which was 3% higher than 2014, with the decrease in the average room rate of the hotel for the year 2015, combining with the discontinuation of the hotel western restaurant catering business, the turnover of the hotel business decreased by approximately 21% from approximately HK$12.40 million in 2014 to approximately HK$9.76 million in 2015. Although the Group proactively controlled the cost, made efforts in increasing revenue while reducing expediture and there was an increase of approximately 7% as compared to that of the last year in the gross profit margin of hotel business to approximately 86% (2014: approximately 79%), loss before tax for the hotel business was recorded in the amount of approximately HK$4.56 million during the Year (2014: loss before tax of approximately HK$4.35 million), representing a 5% increase as compared to that in 2014, due to a decrease in turnover. The travel agency business is positioned at e-commerce, and the construction of e-commerce platform was just completed at the end of the year. Therefore, the turnover was just HK$12,000 while the gross profit was approximately HK$4,000 and operating loss before tax was approximately HK$264,000. The above-mentioned three businesses generated a consolidated turnover of approximately HK$58.19 million (2014: approximately HK$59.11 million) and consolidated profit before tax was approximately HK$6.66 million (2014: approximately HK$13.57 million) for the Group.

(2) Property Development and Property Investment

Property Development

With the relaxation of the austerity measures on the national purchase policy and numerous reduction of required reserve ratio and interest rates by the central bank, the real estate market tended to be gradually recovering. There was a rebound of price in the first-tier and the second-tier cities in a certain extent, while little improvement was seen in the third-tier and the fourth-tier cities, which were still in the process of lowering price to boost sales quantities and inventory reduction.

During the year 2015, the turnover and profits before tax from property development amounted to approximately HK$101.04 million (2014: approximately HK$103.19 million) and approximately HK$22.38 million (2014: approximately HK$19.28 million) respectively, representing a decrease of approximately 2% and an increase of approximately 16% respectively as compared with the turnover and profits before tax in 2014. The revenue from property sale of the Group was from CCT-Champs-Elysees project in Weifang of Shandong Province of the PRC, the details of which are as follows:

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

The CCT-Champs-Elysees project wholly owned by the Group is situated in part of a parcel of land located at the northern side of Eastern Section of Mizhou West Road No. 1, Zhucheng City, Shandong Province, the PRC (Lot No. 01213003). Such project had a total site area of approximately 146,006 square metres and was developed in three phases. The project was situated in a typical fourth-tier city where there were over-supply and saturated demand in the real estate market. During the year 2015, residential apartments of approximately 17,061 square metres, commercial space of approximately 384 square metres and underground ancillary apartments of approximately 401 square metres (2014: residential apartments of approximately 17,414 square metres, commercial space of approximately 326 square metres and underground ancillary apartments of approximately 318 square metres respectively), 4 underground parking spaces and 4 ground parking spaces (2014: 12 underground parking spaces and 9 ground parking spaces) of phase I and phase II of the project were sold and delivered. The average unit selling price per square metre for residential apartments and commercial spaces of the project are approximately HK$5,585 (2014: approximately HK$5,838) and HK$9,365 (2014: approximately HK$9,497) respectively, representing a decrease of 4% and 1% respectively as compared to the average unit selling price of residential apartments and commercial spaces in 2014. Sale of housing of this project was 133 units in total for the year 2015, recording total revenue from the sale of properties of approximately HK$101.04 million (2014: approximately HK$101.40 million) and a profit before tax of approximately HK$24.48 million (2014: approximately HK$20.57 million).

As at 31 December 2015, the unsold or sold-but-not-delivered area of phase I and phase II of CCT-Champs-Elysees project included residential apartments of approximately 37,458 square metres (as at 31 December 2014: approximately 45,710 square metres) and commercial spaces of approximately 1,652 square metres (as at 31 December 2014: approximately 2,036 square metres) (excluding the leased area of approximately 4,849 square metres (as at 31 December 2014: approximately 4,849 square metres)).

Construction works of phase III of CCT-Champs-Elysees project have started and are expected to be completed and delivered during the period from 2016 to 2020.

(ii) Dafeng of Jiangsu Province – Chengtong International City

The initial development area of "Chengtong International City" which is located at North Portion of Lot No. 2, Port Serviced Area, Dafeng Ocean Economic Development Area, Dafeng City, Jiangsu Province, the PRC, 66.67% equity interests of which were held by the Group and with a total site area of approximately 118,974 square metres, was developed in two sections. During the year 2015, as no sales revenue has been recorded for this project (2014: approximately HK$1.79 million), loss before tax of approximately HK$2.10 million (2014: loss before tax of approximately HK$0.93 million) was recorded, which was HK$1.17 million higher than that of 2014.

As at 31 December 2015, 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, which is the same as the unsold or sold-but-not-delivered saleable area of serviced apartments, commercial units (along with ancillary facilities) and office buildings as at 31 December 2014.

Property Investment

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

Zhucheng of Shandong Province – CCT-Champs-Elysees

As at 31 December 2015, the leasable commercial area of phase I of CCT-Champs-Elysees project was approximately 4,849 square metres, remaining the same as compared to that in 2014. During the year 2015, the rental income from the property lease of CCT-Champs-Elysees project amounted to approximately HK$1.97 million (2014: approximately HK$1.63 million), representing an increase of approximately 21% as compared to that in 2014. The increase in rental income was mainly due to the increase in rental income per square metre during the year 2015 as compared to that of 2014.

Land Resources Development

The Group will continue to exit the property development business in certain third-tier and fourth-tier cities with lower profitability as opportunities arise. During the year 2015, the Group has proactively pursued to dispose of the following land resources:

Land 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), a non-wholly owned subsidiary of the Company and 66.67% equity interests of which were held by the Company, held a parcel of industrial land situated in the 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, Ocean Economic Development Zone, 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 (the "**Dafeng Harbour Committee**") and two compensation agreements with the 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 plots of land 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 land are set out in the Company's announcement dated 3 July 2014. However, the compensation amount has not been finalised and the resumption of land has not been completed as of 31 December 2015 and the date of this report.

(3) Finance Leasing

In 2015, the central bank lowered the RMB benchmark lending interest rate for five consecutive times, resulting in the general decrease in overall yield of financial enterprises which include finance leasing companies and intensifying competition in the industry. The Group strengthened efforts in market exploration and actively explored the possibilities of various business innovations. Firstly, the Group vigorously expanded the finance leasing business in the sectors of urban infrastructure as well as energy conservation and environmental protection with water pipe network as the core assets and eventually completed the investment in two projects in this respect in 2015. Secondly, the Group explored to develop finance leasing consultancy business and investment bank business and to identify new growth point of profit. The Group took advantage of its resources and capacities in the industry, and eventually provided two clients with finance leasing consultancy services during the year 2015 and had achieved significant results.

During the year 2015, income and profit before tax of the Group from finance leasing business were approximately HK$40.99 million (2014: approximately HK$1.99 million) and HK$36.48 million (2014: approximately HK$2.11 million) respectively, representing a sharp increase of approximately HK$39 million and HK$34.37 million respectively as compared to that of 2014. The main reasons were: (i) two finance leasing transactions were completed for the year 2015. The total financing amount was approximately HK$238 million, and the total handling fees and interest for the entire term of such finance leasing transactions amounted to approximately HK$33.41 million, among which approximately HK$3.99 million was included in the profit and loss for the year 2015, and (ii) two transactions of provision of finance leasing consultancy service transactions were completed which led to an increase in the one-off service income of approximately HK$12.28 million in 2015.

(4) Trading of Coal

At the end of 2014, the Group relocated the existing coal trading business from Jiangsu Dafeng Port to Zhuhai Gaolan Port in Guangdong. In 2015, the Group vigorously developed the upstream and downstream resources in various ways and achieved significant results. Throughout the year, 27 business units in total were developed by the Group ranging from power generation, paper manufacturing, chemicals, printing and dyeing, cement, steel and iron, etc., among which, 12 units are in the upstream (of which 90% were State-owned enterprises) and 15 units are in the downstream (of which 80% are State-owned enterprises), thereby gaining certain recognition in regional markets. Since the coal market remains in the doldrums as a whole, profitability of the operations is limited and operating risks are rising. The Group evaluates the situation and maintains steady operations to actively adopt the combination of upstream resources and space resources, take advantage of various preferential policies of Shenhua port and Shenhua sales and adopt a selective, prudent and market-oriented operating strategies with sound inventory management.

During the year 2015, 70 transactions of coal processing and sales were completed with sales quantities of approximately 0.82 million tonnes and the unit sales price was approximately HK$456 per tonne. Turnover and gross profit were approximately HK$374.35 million (2014: approximately HK$29.32 million) and HK$4.80 million (2014: approximately HK$0.39 million) respectively. The operating profit before tax amounted to approximately HK$1.4 million. However, due to a provision made for the impairment of an advance payment for coal purchase in the amount of approximately HK$4.96 million during the year 2015, the coal trading business has recorded loss before tax of approximately HK$3.56 million (2014: loss before tax of approximately HK$1.52 million).

Bulk Commodity Trade

During the year, bulk commodity trade ceased to be the core business of the Group. The consolidated interest income of bulk commodity trade business amounted to approximately HK$62.70 million. After deducting the finance costs of approximately HK$1.19 million, the net consolidated interest income amounted to approximately HK$61.51 million, representing an increase of approximately HK$25.54 million as compared to that of last year. Other income included the reversal of impairment of prepayment of approximately HK$16.86 million and net exchange gains of approximately HK$13.18 million. As such, profit before tax for the year was approximately HK$66.55 million as compared to loss before tax of approximately HK$121.98 million last year.

Other income

Other income amounted to approximately HK$172.95 million for the year 2015 (2014: approximately HK$232.57 million), representing a decrease of approximately HK$59.62 million or approximately 26% as compared to that of 2014. Other income during the year 2015 mainly included interest income from bank deposits, short-term investments and available-for-sale financial assets of approximately HK$84.81 million (2014: approximately HK$163.49 million), net exchange gains of approximately HK$27.94 million (2014: nil), recovery of prepayment impaired in previous years of approximately HK$16.86 million (2014: nil), interest income from entrusted loan receivables of approximately HK$10.47 million (2014: approximately HK$24.96 million) and insurance compensation income from loss of fixed assets of approximately HK$6.76 million (2014: nil).

Selling and administrative expenses

Selling expenses amounted to approximately HK$15.22 million for the year 2015 (2014: approximately HK$17.77 million), representing a decrease of approximately HK$2.55 million as compared to that of 2014, which was mainly attributable to the fact that the catering services of western restaurants under the hotel business of the Group suspended and the Group ceased to engage in agency sales services for its property development business, leading to a decrease in the relevant costs of sales operation and depreciation expenses of approximately HK$1.95 million and the related commission cost of approximately HK$0.80 million.

During the year 2015, administrative expenses amounted to approximately HK$107.48 million (2014: approximately HK$127.55 million), representing a decrease of approximately HK$20.07 million as compared to that of 2014. The decrease was mainly attributable to the net exchange gains derived in the year 2015. While there were exchange losses of approximately HK$22.32 million from loans of bulk commodity trade finance denominated in USD resulting from the depreciation of RMB against USD and Hong Kong dollars in 2014, there was a sharp decrease of loans of bulk commodity trade finance denominated in USD and the depreciation of RMB has led to an exchange gain of approximately HK$42.27 million arising from the RMB liabilities. In addition, suspension of bulk commodity trade business at the beginning of the year resulted in relevant decrease of operating expenses.

Finance costs

During the year 2015, finance costs incurred by the Group amounted to approximately HK$40.58 million (2014: approximately HK$155.33 million), representing a drastic decrease of approximately HK$114.75 million or approximately 74% as compared to that of 2014. Finance costs mainly included interest on discounted bill with recourse which amounted to approximately HK$0.71 million (2014: approximately HK$106.79 million), interest on bank and other borrowings which amounted to approximately HK$0.48 million (2014: approximately HK$8.40 million) and interest expenses and amortisation costs in respect of the RMB-denominated bonds issued by the Company which amounted to approximately HK$43.55 million (2014: approximately HK$42.99 million), representing a decrease of approximately 99% and 94% and an increase of 1% respectively as compared to those of 2014. The significant decrease in finance costs was mainly due to the fact that the temporary suspension of bulk commodity trade finance business by the Group has led to the decrease in finance cost arising from relevant finance loan transactions during the year.

III. OUTLOOK

Looking back 2015, the growth in the global economy slowed down and its recovery was full of hardships and the growth in the gross domestic product (GDP) of China was the lowest since 1990. Looking forward 2016, the growth in the world's economy is still not optimistic. Under the new normal, the Chinese economy will face even more complicated internal and external environment. 2016 is the first year of the decisive stage of completing the comprehensive well-off society, in which the old growth engine is shrinking and weak and a new growth engine is being formed. Structural reform will become the theme and China's economy will remain "stable with good momentum" in the long run.

Facing new challenges and opportunities, the Group will pay close attention to the internal and external economic situations and continue to make great efforts on adjusting internal structure and optimizing businesses. The Group's strategy has been gradually transferred from traditional businesses to modern service businesses, such as tourism, finance leasing, elderly healthcare and capital operation. Efforts made to the business transformation has been proved. During the year 2015, the Group's consolidated profit before tax amounted to approximately HK$126.32 million, which turned from loss to profit, as compared with the consolidated loss before tax of approximately HK$15.73 million in 2014.

As for hotel and marine travelling services, the national tourism businesses kept a steady growth in 2015. There were over 4.1 billion domestic and foreign tourists throughout the year, and the total revenue in tourism industry exceeded RMB4 trillion, representing an increase of 10% and 12% respectively as compared to those in 2014. As one of the key consumption areas encouraged by the State, tourism consumption is becoming a new engine in promoting economic growth in China. The Group's overall strategy is to base in Hainan and enrich its marine tourism resources with the main theme of "beautiful Hainan". The Group will acquire quality marine tourism resources unswervingly to form a resource-base core business of marine tourism. The Group will establish the industrial chain and build up an operating mode with interaction between land and sea. Our major tasks for 2016 are focused on the above strategies. On one hand, the Group will enrich the marine entertainment by the operation of the Huandao Jiaolong sightseeing submarine to increase the proportion of high-end entertainment and further enhance the profitability of the marine projects. On the other hand, it will actively carry out the demonstration works for hotel upgrading.

As for finance leasing, the finance leasing business continued to grow rapidly in 2015 with the balance of contracts exceeding RMB4 trillion, representing a year-on–year increase of 38.8%. The Group's finance leasing business has been developing rapidly since it was restarted in 2014, and has made significant achievements in professional team-building and internal control. The Group currently aims at researching and exploring business in such sectors as government infrastructure, high-end equipment manufacturing, energy conservation and environmental protection and has demonstrated and implemented a number of projects. Looking forward, the Group will continue to make great efforts in its finance leasing business, enhance business development capabilities, seize the market opportunities for rapid expansion, and gradually extend its business to capital operation and asset management and other business areas on the basis of leasing business.

As for elderly healthcare, the number of elderly people over 65 years old in China reached 138 million as at the end of 2014, the proportion of which has exceeded 10% for the first time. It will be a rapid growth period of the aging of China's population from 2015 to 2020, which is both a challenge and an opportunity. Along with the economic development and the improvement of income of elderly consumers, the elderly consumers with high consumption ability will emerge, and there will be great potential for the development of the elderly healthcare service industry. At present, the Group is seeking to enter the elderly healthcare service industry. Our major tasks for 2016 are, on one hand, to speed up the renovation project of Cuidao Hotspring Hotel and officially launch a pilot project of elderly healthcare and, on the other hand, to actively look for a suitable target from the market so as to seize the market initiative and accomplish the layout of elderly healthcare sector through mergers and acquisitions as opportunities arise.

In 2015, the Group further increased its cash reserve by financing from placing, laying a solid foundation for the transformation. The Group will pay close attention to the above businesses and actively seize market opportunities in the future. Meanwhile, it will take advantage of the resources of the controlling shareholders and constantly explore new growth point of profit in order to create greater value for all shareholders. The Board of the Company is full of confidence for the future development of the Group.

IV. ASSET STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, equity attributable to owners of the Company reached approximately HK$2,760.87 million (as at 31 December 2014: approximately HK$1,857.10 million), representing an increase of approximately HK$903.77 million as compared to that of 2014, which was mainly attributable to the net proceeds from the top-up placing completed by the Company in June 2015 of approximately HK$962 million and the profit attributable to the shareholders for the year 2015 of approximately HK$81.83 million. However, the Group recorded a reduction of exchange reserve of approximately HK$136.23 million due to the depreciation of RMB during the year 2015.

As at 31 December 2015, the total assets of the Group were approximately HK$3,837.06 million (as at 31 December 2014: approximately HK$5,739.87 million), representing a decrease of HK$1,902.81 million as compared to that of 2014, which is mainly due to a drop of approximately HK$1,592.31 million in the cash and bank balances as a result of the Group's repayment of bills payable of bulk commodity trade with cash during the year 2015. The amount of total current assets as at 31 December 2015 was approximately HK$3,092.12 million (as at 31 December 2014: approximately HK$5,218.94 million), accounting for approximately 81% of total assets which reflected the strong liquidity of the Group, and representing a decrease of approximately HK$2,126.82 million as compared with the current assets of last year. The total non-current assets as at 31 December 2015 were approximately HK$744.94 million (as at 31 December 2014: approximately HK$520.92 million), accounting for approximately 19% of total assets and representing an increase of approximately HK$224.02 million as compared with the non-current assets of 2014, mainly as a result of the increase in fixed assets of approximately HK$172.03 million upon completion of the acquisition of Cuidao Hotspring Hotel by the Group during the year 2015.

As at 31 December 2015, total liabilities of the Group amounted to approximately HK$932.81 million (as at 31 December 2014: approximately HK$3,725.92 million), representing a decrease of approximately HK$2,793.11 million as compared with that of last year, which was mainly due to a drastic drop of approximately HK$2,603.10 million in the bills payable as a result of the Group's full repayment of bills payable of bulk commodity trade with cash during the year. The total non-current liabilities of the Group as at 31 December 2015 amounted to approximately HK$769.37 million (as at 31 December 2014: approximately HK$774.19 million), accounting for approximately 82% of the total liabilities and representing a decrease of approximately HK$4.82 million as compared to that of 2014. The current liabilities of the Group as at 31 December 2015 amounted to approximately HK$163.45 million (as at 31 December 2014: approximately HK$2,951.72 million), accounting for approximately 18% of total liabilities and representing a decrease of approximately HK$2,788.27 million as compared to that of 2014, which was mainly attributable to the repayment of the bills payable of the bulk commodity trade business in full during the year, which indicated a relatively low liability level and a stable financial position of the Group.

As at 31 December 2015, the Group had cash and bank balances denominated mainly in RMB, HKD and USD (including pledged bank deposits, structured bank deposits, deposits in other financial institution, bank balances and cash) of approximately HK$1,573.40 million (as at 31 December 2014: approximately HK$3,165.70 million), representing a decrease of approximately HK$1,592.31 million as compared to that of 2014.

The Company seized favorable opportunity in the first half of 2015 when the stock market climbed significantly. Pursuant to the general mandate granted at the shareholders' meeting of the Company, on 17 June 2015, the Company completed the top-up placing of 968,000,000 shares in total to not less than six investors at the placing price of HK$1.01 per placing share. The number of subscription shares represented approximately 16.66% of the issued share capital of the Company as enlarged by the issue of the subscription shares under the top-up placing. The net proceeds from the top-up placing were approximately HK$962 million, which has been used as general working capital. The successful placing introduced various institutional investors as the shareholders of the Company which contributed to the expansion of the shareholder base and strengthened the capital foundation of the Company.

V. DEBT TO EQUITY RATIO

As at 31 December 2015, the interest-bearing bank borrowings, corporate bonds and other loans of the Group were HK$0 (as at 31 December 2014: approximately HK$68.16 million), HK$694.76 million (as at 31 December 2014: approximately HK$721.61 million) and HK$0.60 million (as at 31 December 2014: approximately HK$0.60 million) respectively, representing a decrease of approximately 100% in interest-bearing bank borrowings and a decrease of approximately 4% in corporate bonds while other loans remained the same as compared to that of last year. As at 31 December 2015, the total borrowings amounted to approximately HK$695.36 million (as at 31 December 2014: approximately HK$790.37 million), representing a decrease of approximately HK$95.01 million as compared with the total borrowings of last year. The corporate bonds were denominated in RMB at the fixed interest rate of 4% per annum, whereas the other loans were denominated in HKD and non-interest bearing. The debt to equity ratio (expressed as the sum of interest-bearing bank borrowings and corporate bonds divided by total equity) declined from approximately 39% as at 31 December 2014 to approximately 24% as at 31 December 2015. The debt to equity ratio saw a relatively large improvement mainly due to the suspension of bulk commodity trade and the decrease in relevant financing loan conducted by the Group during the year 2015.

VI. EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

The Group's businesses during the Year were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. As RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have impact on the Group's result. As at 31 December 2015, net assets of the Group's business within the territory of the PRC was approximately RMB1,307.22 million. According to HKASs, such amount should be converted at the exchange rate applicable at the end of the reporting period. Due to the depreciation of RMB during the year, there were exchange losses of approximately HK$144.80 million arising from the RMB net assets. Such exchange losses were recognized in other comprehensive income, thereby reducing the exchange reserve of approximately HK$136.23 million and leading to a decrease of the net assets of the reduced Group. Although foreign currency exposure does not pose significant risk on the Group and currently, the Group does not have any hedging measures against such exchange risks, the Group will continue to take proactive measures and closely monitor the risks arising from such currency movement.

VII. TREASURY POLICIES

The business activities and operation of the Group are mainly carried out in Mainland China and Hong Kong, with transactions denominated in HKD, RMB 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 swap and forward contracts are used by the Group against the exposure to interest rate and foreign exchange rate fluctuations.

As at 31 December 2015, the Group's corporate bonds are principally on a fixed interest rate basis, and does not have any borrowings based on floating interest rate.

VIII. PLEDGE OF ASSETS

As at 31 December 2015, bills payable was HK$0 and no assets were pledged (as at 31 December 2014: bills payable was approximately HK$2,603.10 million and secured by bank deposits, structured bank deposits and short-term investments of approximately HK$1,772.98 million, HK$183.96 million and HK$428.40 million respectively).

As at 31 December 2015, short-term bank loans were HK$0 and no assets were pledged (as at 31 December 2014: short-term bank loans were approximately HK$15.12 million and secured by short-term investments of approximately HK$15.12 million).

As at 31 December 2015, bank deposits of approximately HK$1.74 million of the Group were pledged for banking facilities granted to mortgagees (as at 31 December 2014: amount pledged for bills payable: approximately HK$1,772.98 million and amount pledged for banking facilities granted to mortgagees: approximately HK$1.83 million).

IX. COMMITMENTS & CONTINGENT LIABILITIES

Please refer to notes 49 and 50 to the financial statements in this report.

Biographies of Directors and Senior Management

DIRECTORS

Mr. Yuan Shaoli

Mr. Yuan, aged 61, 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 Co. ("**Huandao Group**"), a subsidiary of CCHG. Mr. Yuan is presently 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 Laws of Hong Kong) ("**SFO**"). Mr. Yuan has extensive experience in business management, assets management, public relations and human resources management. Mr. Yuan was 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**"), until January 2016.

Mr. Wang Hongxin

Mr. Wang, aged 52, 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., the shares of which 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

Mr. Wang, aged 43, is an executive Director and a director of several subsidiaries of the Company. Mr. Wang joined the Group in February 2007. Mr. Wang obtained his Bachelor and Master degrees from Beijing Institute of Technology and in 2003, he obtained his Master degree in Business Administration in Finance from The Chinese University of Hong Kong. Mr. Wang was previously the secretary to the board of directors of Sihuan Pharmaceutical Company Limited, the shares of which 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 Huandao Group. Mr. Wang has extensive experience in corporate governance, capital management and business administration.

Mr. Zhang Bin

Mr. Zhang, aged 47, 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.

Professor Chang Qing

Professor Chang, aged 58, is an independent non-executive Director. Professor 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. Professor Chang is an independent director of Tibet Summit Industry Co., Ltd. (a company listed on the Shanghai Stock Exchange). He has served as an independent non-executive director of Kangda International Environmental Company Limited (a company listed on the Main Board of the Stock Exchange), and as an independent director of TBEA Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Yuan Long Ping High-Tech Agriculture CO., LTD. (a company listed on the Shenzhen Stock Exchange) since January 2016, September 2015, and January 2016 respectively. He had served as an independent director of Rongfeng Holding Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange). He had also served as an independent director of Shenwu Environmental Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange) until August 2015. He is also a member of council of Shanghai Futures Exchange and a member of Expert Committee of China Securities Journal. Professor 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

Mr. Lee, aged 62, is an independent non-executive Director. Mr. Lee joined the Group in November 2013. He has been an executive director of Shenwan Hongyuan (H.K.) Limited (formerly known as Shenyin Wanguo (H.K.) Limited), the shares of which are listed on the Main Board of the 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 a member of the Hong Kong Institute of Certified Public Accountants. He has years of extensive experience in capital markets, corporate management, finance and banking.

Professor He Jia

Professor He, aged 61, is an independent non-executive Director. Professor He joined the Group in September 2015. Currently, he is the leading professor of the Faculty of Financial Mathematics and Engineering at the South University of Science and Technology of China and a jointly-appointed professor at the Tsinghua University. Professor He is an independent non-executive director of OP Financial Investments Limited, the shares of which are listed on the Main Board of the Stock Exchange, and an independent director of Tsinghua Tongfang Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange. He was previously a professor of the Department of Finance and a director of the MBA program in Finance at the Chinese University of Hong Kong. Currently, Professor He also acts as a financial consultant for the Chengdu and Quanzhou municipal governments, with the experience of being a commissioner of the Planning and Development Committee of China Securities Regulatory Commission from June 2001 to August 2002, and a director of integrated research institute of the Shenzhen Stock Exchange from June 2001 to October 2002. He is an editor of China Financial Economics Review, and is serving as a member of the editorial boards of a number of journals, including China Accounting and Finance Review and Research in Banking and Finance. He holds a Doctor of Philosophy degree in Finance from the Wharton School of University of Pennsylvania, the United States.

SENIOR MANAGEMENT

Mr. Chan Siu Kay

Mr. Chan, aged 56, 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

Ms. Tse, aged 34, 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 a fellow 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 from working in 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, 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 Governing the Listing of Securities on Stock Exchange ("**Listing Rules**") for the Year.

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.

As at the date of this report, the Board of the Company comprised the following Directors:

Executive Directors

YUAN Shaoli	*(Chairman of the Board)*
WANG Hongxin	*(Managing Director)*
WANG Tianlin	
ZHANG Bin	

Independent non-executive Directors

CHANG Qing	
LEE Man Chun, Tony	
HE Jia	*(appointed with effect from 1 September 2015)*

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 ("**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 recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

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.

During the Year, the Nomination Committee recommended to the Board for appointment of Professor He Jia as an independent non-executive Director.

All independent 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 code provision of the CG Code.

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 in 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, twelve Board meetings were held, including four regular Board meetings.

The individual attendance record of each Director at the Board meetings held during the Year is set out below:

Name of Directors	**Number of Attendance/ Number of Board Meetings Held**
YUAN Shaoli	12/12
WANG Hongxin	12/12
WANG Tianlin	11/12
ZHANG Bin	11/12
CHANG Qing	12/12
LEE Man Chun, Tony	12/12
HE Jia *(appointed with effect from 1 September 2015)*	4/12
CHAN Sheung Lai *(resigned with effect from 1 September 2015)*	7/12

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 timely receive adequate, complete and reliable information 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 ("**Audit Committee**"), remuneration committee ("**Remuneration Committee**"), Nomination Committee and executive committee ("**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

From 1 January 2015 to 31 August 2015, the Audit Committee comprised Mr. Chan Sheung Lai (chairman of the Audit Committee), Mr. Lee Man Chun, Tony, and Professor Chang Qing. Since 1 September 2015, the members of the Audit Committee were Mr. Lee Man Chun, Tony (chairman of the Audit committee), Professor Chang Qing and Professor He Jia. Mr. Chan Sheung Lai and Mr. Lee Man Chun, Tony were the independent non-executive Directors who possess 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 2014 and the interim results for the six months ended 30 June 2015 had been reviewed by the Audit Committee.

Remuneration Committee

From 1 January 2015 to 31 August 2015, 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. Since 1 September 2015, the members of the Remuneration Committee were Professor He Jia (chairman of the Remuneration Committee), Mr. Lee Man Chun, Tony and Mr. Wang Hongxin.

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 and the Company 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 two meetings 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

From 1 January 2015 to 31 August 2015, the Nomination Committee was 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. Since 1 September 2015, the members of the Nomination Committee are Professor Chang Qing (chairman of the Nomination Committee), Mr. Lee Man Chun, Tony and Mr. Yuan Shaoli. 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. During the Year, the Nomination Committee held two meetings to discuss the re-election of the Directors. In addition, the Nomination Committee also recommended to the Board to appoint Professor He Jia as an independent non-executive Director during the Year.

Board Committee Meetings

Number of Meetings and Directors' Attendance

The individual attendance record of each Director at the meetings of the Audit Committee, Remuneration Committee and Nomination Committee held during the Year is set out below:

	Number of Attendance/Number of Board Committee Meetings Held		
Name of Directors	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
YUAN Shaoli *(Note 1)*	Not applicable	2/2	2/2
WANG Hongxin *(Note 2)*	Not applicable	0/2 *(Note 7)*	Not applicable
CHANG Qing *(Note 3)*	2/2	Not applicable	0/2 *(Note 7)*
LEE Man Chun, Tony *(Note 4)*	2/2	2/2	2/2
CHAN Sheung Lai *(Note 5)*	2/2	1/2	1/2
HE Jia *(Note 6)*	0/2 *(Note 7)*	0/2 *(Note 7)*	Not applicable

Notes:

1. Mr. Yuan Shaoli relinquished his position as the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 1 September 2015, and remained as a member of the Nomination Committee.

2. Mr. Wang Hongxin became a member of the Remuneration Committee with effect from 1 September 2015.

3. Professor Chang Qing, an existing member of the Audit Committee, was appointed as the chairman of the Nomination Committee with effect from 1 September 2015.

4. Mr. Lee Man Chun, Tony, an existing member of the Nomination Committee, relinquished his position as the chairman of the Remuneration Committee but remained as a member thereof. Mr. Lee, an existing member of the Audit Committee, was appointed as the chairman of the Audit Committee with effect from 1 September 2015.

5. Mr. Chan Sheung Lai resigned as an independent non-executive Director and ceased to be the Chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee with effect from 1 September 2015.

6. Professor He Jia was appointed as an independent non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee with effect from 1 September 2015.

7. All meetings of the Board committees were held prior to 1 September 2015.

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 of 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 during 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 by the Company 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.

Each of the existing Directors confirmed that he had complied with the code provision A.6.5 of the CG Code on directors' training. During the Year, all the existing 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	a, b
WANG Hongxin	a, b
WANG Tianlin	a, b
ZHANG Bin	a, b
CHANG Qing	a, b
LEE Man Chun, Tony	a, b, c
HE Jia *(appointed with effect from 1 September 2015)*	a, b

Notes:

(a) corporate governance

(b) regulatory

(c) finance and investment

RESPONSIBILITIES IN RESPECT OF THE PREPARATION 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 34 to 35 in this report.

The remuneration of the external auditor of the Company in respect of audit services and non-audit services for the Year amounted to approximately HK$980,000 and HK$180,000 respectively. An analysis of the remuneration of the external auditor of the Company is set out below:

	Amount of Fee *(HK$'000)*
Audit services	980
Review on interim financial information	180
Total	1,160

RISK MANAGEMENT AND 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 risk management and 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 risk management and internal control system in a timely manner. The Board considers that as at the date of this report, the risk management and 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 risk management and internal control to mitigate and control risks. Major procedures established for reviewing the suitability and compliance of the risk management and 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 risk management and internal control system under the guidance of the Board and the senior management during 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. Tse Ching Wah, who is an employee of the Company, acted as the company secretary of the Company. In delivering her service as company secretary of the Company, Ms. Tse has 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 during 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 each of the Audit Committee, the Remuneration Committee and Nomination 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 two general meetings (being the annual general meeting ("**AGM**") held on 29 June 2015 and an extraordinary general meeting held on 9 November 2015). The attendance record of the Directors in such general meetings is as follows:

Name of Directors	**Attendance**
YUAN Shaoli	2/2
WANG Hongxin	2/2
WANG Tianlin	2/2
ZHANG Bin	2/2
CHANG Qing	2/2
LEE Man Chun, Tony	2/2
HE Jia *(appointed with effect from 1 September 2015)*	1/2
CHAN Sheung Lai *(resigned with effect from 1 September 2015)*	1/2

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 of the Company 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 of the Company.

(2) Shareholders' enquiries

Shareholders' enquiries about their shareholdings can be directed to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. Other shareholders' enquiries can be directed to the Company Secretarial Department of the Company or the company secretary 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 resolutions 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 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.

Environmental and Social Responsibilities

ENERGY MANAGEMENT

The Group has given great emphasis on environmental protection and has strived for energy conservation and environmental protection with a view to improving the sustainable development capabilities of the Company and to shoulder corresponding social responsibilities. Considering that the maritime travel business is one of the principal units of production and energy consumption of the Group, in 2015, Huandao Hotel Travel Investment Company Limited ("**Huandao Hotel Investment**") embarked on its intensified efforts in energy conservation and emission cuts, raised energy saving awareness of all employees in their daily work, and specifically formulated energy saving measures. During the year, the consumption of electricity amounted to 68.61 million kWh, representing a year-on-year decline of 14%; the consumption of petroleum amounted to 39.62 tons, representing a year-on-year decline of 31%; the consumption of diesel fuel amounted to 288.29 tons, representing a year-on-year decline of 5%; the consumption of natural gas amounted to 100,000 m^3, representing a year-on-year decline of 36%. The Group has managed to reduce energy consumption by a large amount while maintaining its normal business operation at the same time.

SOCIAL RESPONSIBILITIES

Society is an integral part of corporate development. In the course of its development, the Group has never forgotten to contribute to society. In facilitating its development, the Group has made proactive endeavors to perform its social responsibilities, devote itself to social welfare, promote its influence over the community and deliver positive energy.

Since its involvement with the volunteer rescue team of the Provincial Marine Rescue Service of Hainan back in 2013, Yalongwan Undersea World Travel Company Limited ("**Yalongwan Undersea World**") in Hainan has been actively taking part in marine search and rescue operations organized by the local marine department, and has been awarded honorable service certificates issued by the Hainan Provincial Marine Search and Rescue Center for three consecutive years. In 2015, Yalongwan Undersea World deployed its ships for three occasions and 10 staff members to participate in the marine search and rescue operations in the waters of Jinmu corner of Yalong Bay and Sunny Bay. In particular, in the search and rescue operation on 5 March 2015, Yalongwan Undersea World even deployed two speedboats, i.e. Joan Sanya Travel 2905 and Huandao 038, and after nearly two hours of relentless efforts, three tourists trapped in the Sunny Bay were successfully rescued.

Yalongwan Undersea World is the first enterprise engaged in marine travel business in Hainan. It invested and established a demonstrative area for the protection, development and comprehensive management of coral reef resources, which covered around 9 km^2 of Yalong Bay area in the Sanya Coral Reef National Nature Reserve (三亞國家級珊瑚礁自然保護區-亞龍灣片區). It has operated marine travel business for almost 20 years and actively participated in reserving coral reef under the guidance of the protection management office of the National Coral Reef Reserve. On 3 August 2015, Liu Cigui, Deputy Secretary of the party committee and the governor of Hainan Province, led a team to conduct survey and research in Yalong Bay Station of the Coral Reef Protection Station of Sanya Coral Reef National Nature Reserve, and granted full recognition to the works of Yalongwan Undersea World.

In addition, Huandao Jiaolong Submarine Sightseeing Project (《寰島蛟龍潛水器觀光旅遊項目》) conducted by Yalongwan Undersea World was joyfully sponsored RMB2 million under special category of new tourism industry upon review and approval of the tourism committee and finance department of Hainan Province. Such supporting funds will be used for improving supporting hardware and service facilities for Huandao Jiaolong Submarine Sightseeing Project and purchasing security patrol vessels and other equipment. The Group will then comply strictly with the requirements of the use of supporting funds for specified purposes only, thereby promoting the rapid implementation of the project and effective use of such funds.

DEVELOPMENT AND TRAINING

Human resources are fundamental to the sustainable development of a company. In view of this, the Group has laid a major focus on the reserves and cultivation of talents. On one hand, the Group has set up a full set of internal systems in relation to, among others, recruitment and promotion of human resources and strictly complied with relevant standards and systems. On the other hand, the Group has paid great attention to the staff training. Through the combination of internal and external training, the Group has promoted our philosophy of continuous learning, created an atmosphere conducive to learning and unlocked potentials of all its employees, in turn fostering the development and innovation of the Group.

HEALTH AND SAFETY

In line with our people-oriented mission, the Group has placed considerable emphasis on production safety. In 2015, pursuant to the roadmap drawn by the supervisory bodies and competent authorities, the Group took the pragmatic approach, and adhered to the notion of "Safety and Prevention-based Comprehensive Management" by setting forth clear responsibilities, optimizing relevant systems, reinforcing promotional campaigns for enhanced prevention, addressing hidden weaknesses, and effectively integrating our efforts in production safety with corporate development to achieve synergy between the two. All these have allowed all production safety efforts at the Group to be carried out smoothly, in turn preventing major production safety incidents in an effective manner. During the Year, activities of our Safety Production Month were conducted with the theme of "enhancing safety rules and ensuring production safety" across all of our systems. The Group conducted a complete overhaul of our production safety system, and furthered the work of "clamping down on illegal production" and dedicated rectification endeavors. Meanwhile, in a bid to raise the awareness of fire safety and improve the self-protection capabilities of our employees in facing sudden-onset disasters such as fire and earthquakes etc., the Group arranged all its employees to visit China Fire Museum.

Directors' Report

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

PRINCIPAL BUSINESS

The principal business 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 36.

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties for the Year are set out in notes 15 and 17 to the financial statements respectively.

DONATIONS

The Group did not make any donation for charitable or any other purposes during the Year (2014: Nil).

SHARE CAPITAL

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

On 13 June 2015, (1) the Company, the Company's immediate holding company, namely World Gain, and the placing agent entered into a placing agreement, pursuant to which World Gain appointed the placing agent to procure placees for a maximum of 968,000,000 existing ordinary shares at the placing price of HK$1.01 per placing share; and (2) the Company and World Gain entered into a subscription agreement, pursuant to which World Gain conditionally agreed to subscribe for a maximum of 968,000,000 new ordinary shares at the subscription price of HK$1.01 per subscription share.

The placing of existing shares was completed on 17 June 2015 and the subscription of new shares was completed on 19 June 2015. A total of 968,000,000 existing ordinary shares have been placed to not less than six placees (being professional, institutional and other investors who and whose ultimate beneficial owner(s) are independent of and not connected with the Company and any of its connected persons) at the placing price of HK$1.01 per placing share and a total of 968,000,000 new ordinary shares were subscribed by World Gain at HK$1.01 per subscription share. The net issue price for the new shares is approximately HK$0.993 per share. The placing price and the subscription price represent a discount of approximately 19.84% to the closing price of HK$1.26 per share as quoted on the Stock Exchange on 12 June 2015, which is the last trading day immediately prior to the date of the placing agreement and the subscription agreement.

The Company considered that the above top-up placing represented a good opportunity to raise capital for the Company while broadening the shareholder base and strengthening the capital base of the Company. Net cash proceeds of HK$961,662,000 have been received by the Company pursuant to the top-up placing. As of 31 December 2015, part of the net proceeds rasied from the top-up placing of approximately HK$250 million, has been used as investment in financial products, while the rest will be used to tap into new sources of profit growth, such as the senior healthcare industry.

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 for the Year are set out in the consolidated statement of changes in equity on pages 40 to 41.

Details of the movements in the reserves of the Company for the Year are set out in note 41 to the financial statements.

As at 31 December 2015, the Company had approximately HK$0 distributable reserve as calculated under Sections 291 and 297 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (31 December 2014: HK$22,134,000).

BUSINESS REVIEW

During the Year, the Group is principally engaged in hotel and marine travelling services, finance leasing, trading of coal and property development and investment within the region in the PRC. The Group constantly monitored the different segments of business to ensure the compliance with relevant laws and regulations in the PRC and Hong Kong. As at 31 December 2015 and the date of this report, the Group has been in compliance with all relevant laws and regulations in the PRC and Hong Kong.

In 2015, a slowdown in economic growth was recorded globally. The Group is currently under the period of business transformation, encountering continuous downturn of economic environment, downturn of property market in the third-tier and fourth-tier property urban area in the PRC, constant increase in de-stocking pressure, continuous downturn of coal market and decrease in prices and continuous trend of RMB depreciation. In order to enhance competitive advantages and improve corporate value, the Group adequately utilized the strength of itself and the controlling shareholder, relied on the capital market in Hong Kong, constantly optimized the existing business and explored profit growth point and transformation opportunities, and created greater value for shareholders through marketized operation.

The Group strives to maintain and develop long-term and close relationship with upstream and downstream customers and cooperative partners, and provides customers with quality products and services. The Group established assessment systems in relation to suppliers and customers, and stringently selected and put effort on expanding resources in upper and lower stream through various methods. In the meantime, the Group actively enriched the variety of property, energy and marine amusement projects, enhanced the quality of products and services, retained existing customers, attracted new customers, and strengthened customer relationship.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) was set out in the section headed "Environmental and Social Responsibilities" set out on pages 24 to 25 and the section headed "Management Discussion and Analysis" set out on pages 4 to 11 of this report. This discussion forms part of this directors' report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate amount of turnover attributable to the five largest customers represented approximately 55% of the Group's total turnover. Sales to the largest customer accounted for approximately 24% 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 does not include purchases of items which are of a capital nature) attributable to the five largest suppliers represented approximately 65% of the Group's total purchases. Purchases from the largest supplier accounted for 32% of the Group's total purchases.

None of the Directors, 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 during the Year.

DIRECTORS

The Directors of the Company during the Year and as at the date of this directors' report are as follows:

Executive directors

Mr. YUAN Shaoli	*(Chairman)*
Mr. WANG Hongxin	*(Managing Director)*
Mr. WANG Tianlin	
Mr. ZHANG Bin	

Independent non-executive directors

Professor CHANG Qing	
Mr. LEE Man Chun, Tony	
Professor HE Jia	*(Appointed with effect from 1 September 2015)*
Mr. CHAN Sheung Lai	*(Resigned with effect from 1 September 2015)*

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 AGM of the Company to be despatched to the shareholders. No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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 OF SUBSIDIARIES

During the Year and up to the date of this report, each of the Executive Directors named above holds directorship in all or certain of the Company's subsidiaries. Other directors of the Company's subsidiaries incorporated in Hong Kong and British Virgin Islands include Li Shufang, Zhang Yongqing, Chan Siu Kay and Ting Man Wa. Other directors of Company's subsidiaries incorporated in the PRC include Li Yun, Yan Ling, Liu Peihong, Ni Xianrong, Zhang Yongqing, Jiao Zhonglin, Zheng Haichou, Zhu Guodong, Li Liangbin and Huang Wenfeng.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with a Director was materially interest (whether directly or indirectly), subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

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

As at 31 December 2015, 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 as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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)*	0.0052%
Wang Hongxin	The Company	Beneficial owner	Ordinary	600,000 *(Note)*	0.0103%
Wang Tianlin	The Company	Beneficial owner	Ordinary	400,000 *(Note)*	0.0069%
Zhang Bin	The Company	Beneficial owner	Ordinary	300,000 *(Note)*	0.0052%

Note: These are the shares awarded to the Directors under the share award scheme of the Company on 22 June 2012.

Apart from the foregoing, as at 31 December 2015, none of the Directors nor the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the issued shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long Position

Name of shareholder	Nature of interest	Class of shares	Number of shares	Approximate percentage of issued share capital of the Company
World Gain	Beneficial owner *(Note)*	Ordinary	2,980,876,119	51.32%
CCHK	Controlled corporation *(Note)*	Ordinary	2,980,876,119	51.32%
CCHG	Controlled corporation *(Note)*	Ordinary	2,980,876,119	51.32%

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 2015, no other person, other than a Director or chief executive of the Company had any interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into by the Company during the Year or subsisting at the end of the Year are set out below:

Subscription agreement

On 13 June 2015, as part of the top-up placing as mentioned in the section headed "Share Capital" of this directors' report, the Company and World Gain entered into a subscription agreement, pursuant to which World Gain conditionally agreed to subscribe for a maximum of 968,000,000 new ordinary shares at the subscription price of HK$1.01 per subscription share.

The subscription is condition upon (i) completion of the placing having occurred pursuant to the terms of the placing agreement; and (ii) listing of and permission to deal in all the subscription shares being granted by the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the subscription shares).

The subscription was completed on 19 June 2015 and a total of 968,000,000 new ordinary shares of the Company were issued to World Gain. Net cash proceeds of HK$961,662,000 have been received by the Company under the subscription.

Further details of the subscription agreement and the related top-up placing are set out in the section headed "Share Capital" of this directors' report and in note 39 to the financial statements.

Share option scheme

Pursuant to an ordinary resolution passed at the AGM of the Company held on 27 June 2013, the Company has adopted its existing share option scheme, details of which are set out in note 40 to the financial statements.

The total number of ordinary shares of the Company which may be allotted and issued upon exercise of all options to be granted under the share option scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the ordinary shares of the Company in issue as at the day on which the share option scheme was adopted, which was 484,073,477 ordinary shares, representing approximately 8.33% of the issued share capital of the Company as of the date of this report.

During the Year, no option was granted, exercised, cancelled or lapsed under the 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 a 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.

Pursuant to the share award scheme, ordinary shares of the Company will be awarded, with the approval of the Board, to selected employees based on, inter alia, the employee's work performance and such other matters that the Board considers relevant. Shares awarded under the share award scheme will be offered to the selected employees for no consideration but subject to certain conditions (including vesting conditions) to be decided by the Board at the time of grant of the shares awarded under the share award scheme. A selected employee shall be entitled to receive the awarded shares in accordance with the vesting schedule upon the selected employee having satisfied all vesting conditions specified by the Board at the time of making the award. Vesting of the shares will be conditional on the selected employee remaining an employee on the relevant vesting date and his/her execution of the relevant documents to effect the transfer from the trustee of the share award scheme.

The Board shall not make any further award which will result in the total number of ordinary shares awarded by the Board under the share award scheme representing in excess of 1% of the issued shares of the Company as at 31 March 2012 (being 41,634,522 shares) unless the Board otherwise decides. 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.

There were no shares awarded to employees pursuant to the share award scheme during the Year.

Please refer to the announcement of the Company dated 25 April 2012 for more details of the share award scheme.

Apart from the foregoing, at no time during the Year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement 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.

RMB DENOMINATED BONDS

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

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

Continuing Connected Transactions

(1) On 4 March 2015, 誠通能源廣東有限公司 (unofficial English translation being Chengtong Energy Guangdong Company Limited) ("**Chengtong Energy**"), an indirect non-wholly owned subsidiary of the Company, entered into a framework purchase agreement ("**Wuzi Framework Purchase Agreement**") and a framework sale agreement ("**Wuzi Framework Sale Agreement**") with 廣東物資燃料有限公司 (unofficial English translation being Guandong Wuzi Fuel Company Limited) ("**Guangdong Wuzi Fuel**"), pursuant to which Chengtong Energy agreed to purchase from and sell to Guangdong Wuzi Fuel certain coal on a non-exclusive basis for a term from 4 March 2015 to 31 December 2015, subject to the terms and conditions under both agreements. As one of the substantial shareholders of Chengtong Energy holds more than 30% interests in Guangdong Wuzi Fuel, Guangdong Wuzi Fuel, being an associate of the substantial shareholder of Chengtong Energy, is a connected person of the Company. Under the Listing Rules, the transactions contemplated under these two agreements therefore constitute continuing connected transactions of the Company.

The price(s) under the individual agreement(s) for specific transaction(s) covered by the Wuzi Framework Purchase Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and by reference to the reference price(s) announced by the northern harbours and other major coal companies in the PRC as at the date of the relevant individual agreement, taking into account the methods of delivery and the ancillary preferential terms, and in any event not higher than the price offered by suppliers who are independent third parties to Chengtong Energy in comparable transactions during the same period.

The price(s) under the individual agreement(s) for specific transaction(s) covered by the Wuzi Framework Sale Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and by reference to the original acquisition cost of the coal by Chengtong Energy, taking into account the average profit margin (approximately 2%) of the previous sales contracts entered into by Chengtong Energy as seller with purchasers who are independent third parties, and in any event not lower than the price offered by Chengtong Energy to purchasers who are independent third parties in comparable transactions during the same period.

The aggregate annual transaction value in respect of the Wuzi Framework Purchase Agreement and the Wuzi Framework Sale Agreement is subject to an annual cap of RMB200,000,000 and RMB150,000,000 respectively. The transaction values in respect of the Wuzi Framework Purchase Agreement and the Wuzi Framework Sale Agreement for the period from 4 March 2015 to 31 December 2015 were approximately RMB10,627,000 and RMB112,475,000 respectively.

Further details of the Wuzi Framework Purchase Agreement and the Wuzi Framework Sale Agreement are set out in the Company's announcement dated 4 March 2015.

(2) On 4 March 2015, Chengtong Energy entered into a framework purchase agreement ("**Tongzheng Framework Purchase Agreement**") and a framework sale agreement ("**Tongzheng Framework Sale Agreement**") 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 agreed to purchase from and sell to Guangzhou Tongzheng certain coal on a non-exclusive basis for a term from 4 March 2015 to 31 December 2015, subject to the terms and conditions under both agreements. 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. Under the Listing Rules, the transactions contemplated under these two agreements therefore constitute continuing connected transactions of the Company.

The price(s) under the individual agreement(s) for specific transaction(s) covered by the Tongzheng Framework Purchase Agreement and the Tongzheng Framework Sale Agreement shall be determined on the same basis as that in respect of the Wuzi Framework Purchase Agreement and the Wuzi Framework Sale Agreement as set out in (1) above.

The aggregate annual transaction value in respect of the Tongzheng Framework Purchase Agreement and the Tongzheng Framework Sale Agreement is subject to an annual cap of RMB30,000,000 and RMB620,000,000 respectively. Since 24 April 2015, the equity interests in Guangzhou Tongzheng held by the spouse and the brother of one of the directors of Chengtong Energy have been transferred to independent third parties of the Company. Therefore, after the above equity transfer, Guangzhou Tongzheng is no longer a connected person and the transactions under the Tongzheng Framework Purchase Agreement and the Tongzheng Framework Sale Agreement no longer constitute continuing connected transactions of the Company under the Listing Rules. The transaction values in respect of the Tongzheng Framework Purchase Agreement and the Tongzheng Framework Sale Agreement for the period from 4 March 2015 to 24 April 2015 were approximately RMB0 and RMB8,683,000 respectively.

Further details of the Tongzheng Framework Purchase Agreement and the Tongzheng Framework Sale Agreement are set out in the Company's announcement dated 4 March 2015.

(3) On 6 August 2015, the Company and 誠通財務有限責任公司 (unofficial English translation being China Chengtong Finance Corporation Ltd.) ("**Chengtong Finance**") entered into a Financial Services Agreement, pursuant to which Chengotng Finance agreed to provide the Group with a range of financial services (including deposit services, loan services and other financial services) for a term commencing form 9 November 2015 to 31 December 2017, subject to the terms and conditions contained in the Financial Services Agreement. As Chengtong Finance is a subsidiary of CCHG, which is the ultimate controlling shareholder of the Company, Chengtong Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The interest rates payable by Chengtong Finance to the Group for any deposits shall (i) be 20%-50% higher than the deposit interest rate prescribed by the The People's Bank of China for deposits with the same term and of the same type; (ii) not be lower than the interest rates payable by the major commercial banks in the PRC for deposits with the same term and of the same type; and (iii) not be lower than the interest rates offered by Chengtong Finance to any third party for deposits with the same term and of the same type.

The daily balance of the Group's deposits (including any interest accrued therefrom) with Chengtong Finance for the Year and each of the two years ending 31 December 2016 and 31 December 2017 shall not exceed an amount equivalent to RMB500 million. Such maximum daily balance of deposits had not been exceeded during the Year. As at 31 December 2015, the deposits placed with Chengtong Finance amounted to approximately RMB298,865,000.

Further details of the Financial Services Agreement are set out in the Company's announcement dated 6 August 2015 and circular dated 22 October 2015.

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

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

(b) on normal commercial terms or better; and

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

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

The Company's auditor, BDO Limited, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740" Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited has issued an unqualified letter containing its findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and confirmed that:

(a) nothing has come to their attention that causes them to believe that the above disclosed continuing connected transactions have not been approved by the Board of the Company;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(d) with respect to the aggregate amount of each of the above disclosed continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Other Connected Transactions

On 22 January 2015, Huandao Hotel Investment, a wholly-owned subsidiary of the Company, as purchaser entered into an equity transfer agreement (which was supplemented by a supplemental agreement dated 3 July 2015) with 海南寰島泰得酒店物業管理有限公司 (unofficial English translation being Hainan Huandao Taide Hotel Property Management Co. Ltd.) ("**Huandao Taide**"), as vendor, pursuant to which Huandao Taide agreed to sell and Huandao Hotel Investment agreed to purchase the 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 Int'l Travel**") at the consideration of RMB7,425,100 (equivalent to approximately HK$9,207,000). As Huandao Taide is a wholly owned subsidiary of CCHG, which is the ultimate holding company of the Company, Huandao Taide is a connected person of the Company. The above acquisition was completed on 8 July 2015. Further details of the equity transfer agreement are set out in the Company's announcement dated 22 January 2015 and 3 July 2015.

On 6 February 2015, Huandao Hotel Investment, a wholly-owned subsidiary of the Company, as lender, and Huandao Group, as borrower, entered into a loan agreement pursuant to which Huandao Hotel Investment agreed to provide a loan in the principal amount of RMB30,000,000 to Huandao Group. The term of the loan commenced from 9 February 2015 and the maturity date of the loan has been extended from 8 February 2016 to 8 February 2017 pursuant to an extension agreement dated 5 February 2016. The interest rate for the loan is 10% per annum. Huandao Group is a company established in the PRC and a wholly-owned subsidiary of CCHG. Huandao Group is an associate of CCHG and therefore, is a connected person of the Company. Further details of the loan agreement and the extension are set out in the Company's announcements dated 6 February 2015 and 5 February 2016 respectively.

On 25 May 2015, 諸城鳳凰置地有限公司 (unofficial English translation being Zhucheng Phoenix Landmark Company Limited) ("**Zhucheng Phoenix**"), a wholly-owned subsidiary of the Company, as purchaser, was informed by Huandao Group, as vendor, that as confirmed by 天津產權交易中心 (unofficial English translation being Tianjin Property Rights Exchange) ("**TPRE**"), it has successfully obtained the exclusive right to acquire the 100% equity interest held by Huandao Group in Cuidao Hotspring Hotel, which was being disposed of by Huandao Group by way of a listing-for-sale through TPRE. On 16 June 2015, Zhucheng Phoenix and Huandao Group entered into a formal sale and purchase agreement to acquire the 100% equity interest in Cuidao Hotspring Hotel for a consideration of RMB138,500,000 (equivalent to approximately HK$171,740,000). As Huandao Group is a wholly-owned subsidiary of CCHG, Huandao Group is an associate of CCHG and therefore, is a connected person of the Company. The above acquisition was completed on 16 September 2015. Further details of the acquisition are set out in the Company's announcement dated 25 May 2015 and 16 June 2015.

The Directors confirm that the related party transactions during the Year as disclosed in notes 45(a), 45(d) and 45(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 45(b) and 45(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.

Save as disclosed above, (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 2015, the Group employed a total of 316 employees (as at 31 December 2014: 314), of which 13 were based in Hong Kong (as at 31 December 2014: 12) and 303 were based in Mainland China (as at 31 December 2014: 302). 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 by the Group 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 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 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. Details of the share option scheme and the share award scheme of the Company are set out in the section headed "Equity-linked Agreements" in this report.

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 119 to 120 of this report.

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 of the Company to re-appoint BDO Limited as auditor of the Company.

By order of the Board

Yuan Shaoli
Chairman

Hong Kong, 4 March 2016

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 36 to 116, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lui Chi Kin
Practising Certificate Number P06162

Hong Kong, 4 March 2016

Consolidated Income Statement

For The Year Ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	6	**576,533**	3,224,100
Cost of sales		**(464,414)**	(3,238,720)
Gross profit/(loss)		**112,119**	(14,620)
Other income	7	**172,953**	232,573
Selling expenses		**(15,222)**	(17,766)
Administrative expenses		**(107,479)**	(127,547)
Fair value (loss)/gain on investment properties	17	**(62)**	3,465
Fair value loss on held-for-trading securities		**(469)**	(405)
Excess of fair value of the net identifiable assets over the cost of acquisition of a subsidiary	43	**5,056**	–
Gain on disposal of subsidiaries	44	**–**	63,901
Finance costs	8	**(40,579)**	(155,329)
Profit/(loss) before income tax		**126,317**	(15,728)
Income tax expense	9	**(49,391)**	(80,527)
Profit/(loss) for the year	10	**76,926**	(96,255)
Profit/(loss) for the year attributable to:			
Owners of the Company		**81,830**	(51,417)
Non-controlling interests		**(4,904)**	(44,838)
		76,926	(96,255)
Earnings/(loss) per share	13		
– Basic		**HK1.53 cents**	HK(1.06) cents
– Diluted		**HK1.53 cents**	HK(1.06) cents

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
Profit/(loss) for the year	**76,926**	(96,255)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of financial statements of foreign operations	**(144,798)**	(22,941)
Change in fair value of available-for-sale financial assets	**(3,492)**	–
Reclassification adjustment – Disposal of subsidiaries	**–**	(37,194)
Total comprehensive income for the year	**(71,364)**	(156,390)
Total comprehensive income attributable to:		
Owners of the Company	**(57,895)**	(110,578)
Non-controlling interests	**(13,469)**	(45,812)
	(71,364)	(156,390)

Consolidated Statement of Financial Position

As At 31 December 2015

	Notes	2015 *HK$'000*	2014 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**179,059**	187,722
Prepaid land lease payments	16	**206,579**	51,760
Investment properties	17	**58,468**	58,086
Deposits paid	19	**39,341**	29,181
Loans receivable	24	**261,493**	194,173
		744,940	520,922
Current assets			
Properties held for sale	20	**242,917**	287,498
Properties under development	20	**169,581**	160,469
Properties held for development	21	**293,728**	311,006
Inventories	22	**22,922**	23,191
Trade and other receivables	23	**73,492**	403,444
Loans receivable	24	**162,969**	85,538
Amount due from a non-controlling shareholder of a subsidiary	25	**21,641**	21,686
Loan to a related party	26	**38,888**	54,454
Prepaid land lease payments	16	**5,414**	2,007
Entrusted loan receivables	27	**59,140**	107,525
Available-for-sale financial assets	28	**410,136**	–
Held-for-trading securities	29	**1,234**	1,703
Short-term investments	30	**16,660**	594,720
Structured bank deposits	31	**167,790**	662,760
Pledged bank deposits	33	**1,737**	1,774,816
Deposits in other financial institution	32	**355,650**	–
Bank balances and cash	33	**1,048,218**	728,127
		3,092,117	5,218,944
Current liabilities			
Trade and other payables	34	**107,333**	2,798,209
Deposits received from sale of properties		**53,294**	58,728
Taxation payable		**2,218**	26,029
Bank borrowings	35	**–**	68,157
Unsecured other loan	36	**600**	600
		163,445	2,951,723
Net current assets		**2,928,672**	2,267,221
Total assets less current liabilities		**3,673,612**	2,788,143

Consolidated Statement of Financial Position *(Continued)*

As At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Deferred tax liabilities	37	**74,608**	52,584
Corporate bonds	38	**694,757**	721,610
		769,365	774,194
Net assets		**2,904,247**	2,013,949
EQUITY			
Equity attributable to owners of the Company			
Share capital	39	**2,185,876**	1,224,214
Reserves		**574,992**	632,887
		2,760,868	1,857,101
Non-controlling interests		**143,379**	156,848
Total equity		**2,904,247**	2,013,949

The consolidated financial statements on pages 36 to 116 were approved and authorised for issue by the board of directors on 4 March 2016 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2015

	Equity attributable to owners of the Company												
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Statutory reserve (Note)	Shares held for share award scheme	Employee share-based compensation reserve	Other reserve	Exchange reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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 39)*	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

	Equity attributable to owners of the Company											
	Share capital	Capital reserve	Statutory reserve *(Note)*	Shares held for share award scheme	Employee share-based compensation reserve	Available-for-sale financial assets revaluation reserve	Other reserve	Exchange reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Transactions with owners:												
Subscriptions of new shares *(note 39)*	977,680	–	–	–	–	–	–	–	–	977,680	–	977,680
Share issuance expenses	(16,018)	–	–	–	–	–	–	–	–	(16,018)	–	(16,018)
Total transactions with owners	961,662	–	–	–	–	–	–	–	–	961,662	–	961,662
Profit/(loss) for the year	–	–	–	–	–	–	–	–	81,830	81,830	(4,904)	76,926
Other comprehensive income:												
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	–	–	(136,233)	–	(136,233)	(8,565)	(144,798)
Change in fair value of available-for-sale financial assets	–	–	–	–	–	(3,492)	–	–	–	(3,492)	–	(3,492)
Total comprehensive income for the year	–	–	–	–	–	(3,492)	–	(136,233)	81,830	(57,895)	(13,469)	(71,364)
Appropriation to statutory reserve	–	–	11,126	–	–	–	–	–	(11,126)	–	–	–
At 31 December 2015	2,185,876	2,814	33,830	(1,999)	702	(3,492)	296	(29,993)	572,834	2,760,868	143,379	2,904,247

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 shall be used to (i) make up prior years' losses or (ii) expand production operations.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
Cash flows from operating activities		
Profit/(loss) before income tax	**126,317**	(15,728)
Adjustments for:		
Interest income	**(99,625)**	(196,698)
Interest income from entrusted loan receivables	**(10,471)**	(24,959)
Interest expense	**40,579**	155,329
Depreciation of property, plant and equipment	**15,233**	17,430
Amortisation of prepaid land lease payments	**3,256**	2,222
Fair value loss/(gain) on investment properties	**62**	(3,465)
Fair value loss on held-for-trading securities	**469**	405
Gain on disposal of subsidiaries	**–**	(63,901)
Loss on disposal of property, plant and equipment	**12,408**	429
Provision for inventories	**1,511**	–
Impairment of prepayment	**4,960**	–
Excess of fair value of the net identifiable assets over the cost of acquisition of subsidiaries	**(5,056)**	–
Operating profit/(loss) before working capital changes	**89,643**	(128,936)
Increase in properties under development	**(65,826)**	(131,707)
Decrease in properties held for sale	**92,241**	78,614
Increase in inventories	**(1,242)**	(17,608)
Decrease in trade and other receivables	**318,722**	11,300,214
Increase in loans receivable	**(167,037)**	(279,711)
Decrease in trade and other payables	**(2,725,863)**	(4,436,109)
Decrease in deposits received from sale of properties	**(6,366)**	(578)
Cash (used in)/generated from operations	**(2,465,728)**	6,384,179
Hong Kong profits tax paid	**–**	(608)
PRC enterprise income tax paid	**(65,984)**	(49,629)
PRC land appreciation tax paid	**(2,403)**	(2,064)
Net cash (used in)/generated from operating activities	**(2,534,115)**	6,331,878

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Interest received		98,684	165,165
Interest received from entrusted loan receivables		10,841	24,534
Acquisition of subsidiaries, net of cash acquired	43	(167,969)	–
Amounts received from the vendors in respect of the post agreement date results borne by the vendors	43	5,692	–
Disposal of subsidiaries, net of cash disposed	44	–	299,032
Purchase of available-for-sale financial assets		(635,020)	–
Purchase of short-term investments		(45,880)	(594,720)
Settlement of available-for-sale financial assets		220,642	–
Settlement of short-term investments		623,720	2,787,764
Decrease in entrusted loan receivables		43,824	253,214
Advance to a related party		(37,200)	–
Repayment from a related party		49,600	–
Purchase of property, plant and equipment		(1,749)	(2,458)
Proceeds from disposal of property, plant and equipment		460	380
Deposits paid for acquisition of property, plant and equipment		(12,276)	(8,316)
Decrease/(increase) in structured bank deposits		494,970	(662,760)
Decrease/(increase) in pledged bank deposits		1,773,079	(1,098,743)
Net cash generated from investing activities		2,421,418	1,163,092
Cash flows from financing activities			
Proceeds from issuance of share capital		977,680	–
Share issuance expenses		(16,018)	–
Interest paid		(60,301)	(147,457)
Cash flows from discounted bills with recourse		(52,223)	(9,100,220)
New bank loans raised		–	15,120
Net proceed from issue of corporate bonds		–	712,725
Repayment of corporate bonds		–	(756,000)
Dividend paid to non-controlling shareholders of subsidiaries		–	(51,030)
Repayment of bank loans		(14,883)	(9,270)
Net cash generated from/(used in) financing activities		834,255	(9,336,132)
Net increase/(decrease) in cash and cash equivalents		721,558	(1,841,162)
Cash and cash equivalents at beginning of year		728,127	2,557,297
Effect of foreign exchange rate changes		(45,817)	11,992
Cash and cash equivalents at end of year		1,403,868	728,127
Analysis of cash and cash equivalents			
Bank balances and cash		1,048,218	728,127
Deposits in other financial institution		355,650	–
		1,403,868	728,127

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 Group is principally engaged in investment holdings, bulk commodity trading, trading of coal, property development, property investment, finance leasing and hotel and marine travelling services.

The Company's shares are listed on the Main Board of the Stock Exchange. As at 31 December 2015, the Company's immediate holding company is World Gain Holdings Limited, which is incorporated in the British Virgin Islands 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.

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 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans : Employee Contributions

The adoption of these amendments has no material impact on the Group's financial statements.

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

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

Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements [1]
HKFRS 9 (2014)	Financial Instruments [2]
HKFRS 14	Regulatory Deferral Accounts [1]
HKFRS 15	Revenue from Contracts with Customers [2]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle [1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception [1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018

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)*

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

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 apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

The 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 in note 4 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 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.20), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.4 Foreign currencies translation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Foreign currencies translation *(Continued)*

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

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

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

4.5 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.

4.6 Property, plant and equipment

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Property, plant and equipment *(Continued)*

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

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

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

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

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

4.7 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 4.15.

4.8 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Properties held for sale, properties held for development and properties under development *(Continued)*

Transfer from properties under development to investment properties carried at fair value

The Group transfers a property under development 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.

4.9 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.

4.10 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 and other financial institution, including term deposits, which are not restricted as to use.

4.11 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(i) Financial assets (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

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

– significant financial difficulty of the debtor;

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

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

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

For loans and receivables

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

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

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 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) 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)

4.12 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.

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)*

4.13 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.

4.14 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)*

4.15 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.

4.16 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.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4.17 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)*

4.18 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.

4.19 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)*

4.20 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 of disposal, 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.

4.21 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;

– Finance leasing – providing finance 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, excess of fair value of the net identifiable assets over the cost of acquisition of a subsidiary, gain on disposal of subsidiaries, 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)*

4.21 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 for the year.

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

4.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4.23 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(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).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 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. ACCOUNTING JUDGEMENT AND ESTIMATES

5.1 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 are set out below.

5.1.1 Fair value 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.

5.1.2 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.

5.1.3 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. ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

5.1 Sources of estimation uncertainty *(Continued)*

5.1.4 Estimated impairment of loans and 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.

5.1.5 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.

5.1.6 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 4.6 and 4.7. 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.

5.1.7 Estimated 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.

5.1.8 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. ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

5.1 Sources of estimation uncertainty *(Continued)*

5.1.8 Fair value measurement (Continued)

The Group measures a number of items at fair value:

– Investment properties (note 17)

– Available-for-sale financial assets (note 28)

– 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.

5.1.9 Assessment of net identifiable assets on acquisition of subsidiaries

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

5.2 Critical accounting judgements

Business combination in relation to acquisition of subsidiaries

During the year, the Group acquired the equity interests of Hainan Huandao International Travel Agency Co. Ltd. ("**Huandao Int'l Travel**") and Cuidao Hotspring Resort Hotel Company Limited ("**Cuidao Hotspring Hotel**") from the subsidiaries of CCHG.

Huandao Int'l Travel has been operating as a business. The relevant business licences and operation staff members were transferred to the Group in the acquisition.

The buildings and prepaid land lease payments included in the acquisition of Cuidao Hotspring Hotel were accompanied by a detailed business plan and documented strategic management and operational processes. The initial step in operating this integrated set of assets and documented processes as a business had been taken prior to the acquisition.

Accordingly, the inputs and processes which are capable of being conducted and managed for the purpose of providing a return were included in both acquisitions and the directors therefore concluded that the acquisitions constituted business combinations.

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) Finance leasing – providing finance 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

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 2015

	Property investment *HK$'000*	Property development *HK$'000*	Finance 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	1,970	101,042	40,986	374,345	–	58,190	576,533
Results							
Segment results *(note (a))*	1,719	22,384	36,478	(3,563)	66,551	6,661	130,230
Fair value loss on investment properties *(note (b))*							(62)
Fair value loss on held-for-trading securities							(469)
Excess of fair value of the net identifiable assets over the cost acquisition of a subsidiary							5,056
Interest income from entrusted loan receivables							10,471
Unallocated finance costs							(39,394)
Unallocated corporate expenses							(29,950)
Unallocated corporate income							50,435
Profit before income tax							126,317

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2015 *(Continued)*

	Property investment *HK$'000*	Property development *HK$'000*	Finance 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, short-term investments and available-for-sale financial assets	–	222	2,776	182	62,699	1,534	17,397	84,810
Depreciation	–	(157)	(101)	(12)	(3,580)	(10,903)	(480)	(15,233)
Finance costs	–	–	–	–	(1,185)	–	(39,394)	(40,579)
(Loss)/gain on disposal of property, plant and equipment	–	–	43	–	(13)	(12,438)	–	(12,408)
Reversal of impairment of prepayment	–	–	–	–	16,855	–	–	16,855
Compensation income	–	–	–	–	–	6,762	–	6,762
Subsidy income	–	5,315	–	–	–	–	–	5,315
Provision for inventories	–	–	–	(949)	–	(562)	–	(1,511)
Impairment of prepayment	–	–	–	(4,960)	–	–	–	(4,960)
(b) Amounts regularly provided to the chief operating decision maker for the analysis of the segment's performance								
Fair value loss on investment properties	(62)	–	–	–	–	–	–	(62)

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2014

	Property investment *HK$'000*	Property development *HK$'000*	Finance 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 corporate income							39,604
Loss before income tax							(15,728)

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2014 *(Continued)*

	Property investment *HK$'000*	Property development *HK$'000*	Finance 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

Unallocated corporate income mainly comprised interest income from bank deposits, short-term investments and available-for-sale financial assets, interest income from a related party, reversal of other payables and net exchange gain of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Unallocated corporate expenses mainly comprised staff costs and legal and professional expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Segment results do not include income tax expense, 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, excess of fair value of the net identifiable assets over the cost of acquisition of a subsidiary, gain on disposal of subsidiaries, fair value change of investment properties and held-for-trading securities and finance cost of corporate bonds. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2015 ***HK$'000***	2014 *HK$'000*
Segment assets		
Property investment*	**58,468**	58,086
Property development	**761,279**	822,488
Finance leasing	**646,170**	294,288
Trading of coal	**105,538**	93,138
Bulk commodity trade	**–**	3,747,096
Hotel and marine travelling services	**234,341**	281,959
Total segment assets	**1,805,796**	5,297,055
Unallocated		
– Held-for-trading securities	**1,234**	1,703
– prepaid land lease payments	**163,313**	–
– entrusted loan receivables	**59,140**	107,525
– available-for-sale financial assets	**410,136**	–
– structured bank deposits	**13,090**	–
– deposits in other financial institution	**355,650**	–
– bank balances and cash	**896,501**	60,680
– other unallocated assets	**132,197**	272,903
Consolidated total assets	**3,837,057**	5,739,866

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	2015 HK$'000	2014 HK$'000
Segment liabilities		
Property investment	8,573	9,078
Property development	109,416	148,814
Finance leasing	4,415	7,751
Trading of coal	14,437	10,279
Bulk commodity trade	–	2,689,170
Hotel and marine travelling services	33,902	35,749
Total segment liabilities	170,743	2,900,841
Unallocated		
– Corporate bonds	694,757	721,610
– Other unallocated liabilities	67,310	103,466
Consolidated total liabilities	932,810	3,725,917

* Segment assets of property investment segment include investment properties but segment results exclude the related fair value loss of HK$62,000 (2014: exclude the related fair value gain of HK$3,465,000) 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, available-for-sale financial assets, structured bank deposits, deposits in other financial institution and bank balances and cash); and

- all liabilities are allocated to reportable segments other than corporate bonds, liabilities incurred by head office and the inactive subsidiaries (including other payables, unsecured other loans and deferred tax liabilities).

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the year ended 31 December 2015

Amounts included in the measure of segment assets:

	Property investment *HK$'000*	Property development *HK$'000*	Finance 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 (other than financial assets)	–	57	333	21	–	1,243	199,636	201,290

For the year ended 31 December 2014

Amounts included in the measure of segment assets:

	Property investment *HK$'000*	Property development *HK$'000*	Finance 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

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 2015 and 2014 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)	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	2,045,401	**223**	276
The PRC	**576,533**	734,903	**443,883**	297,292
Singapore	**–**	443,796	**–**	–
	576,533	3,224,100	**444,106**	297,568

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

	2015	2014
	HK$'000	*HK$'000*
Customer A *(note 1)*	**139,469**	–
Customer B *(note 1)*	**98,212**	19,975
Customer C *(note 2)*	**–**	476,858
Customer D *(note 2)*	**–**	473,901
	237,681	970,734

Notes:

1. These are customers for coal trading business and revenue from these customers contributed less than 10% of the total turnover of the Group for the year ended 31 December 2014.

2. These were customers for bulk commodity trade business for the year ended 31 December 2014 and no revenue from these customers contributed to the total turnover of the Group for the year ended 31 December 2015.

6. SEGMENT INFORMATION (Continued)

Turnover from major products and services

	2015 **HK$'000**	2014 HK$'000
Rental income	**1,970**	1,629
Sales of properties	**101,042**	103,186
Interest income	**28,703**	1,987
Consultancy service income from finance leasing arrangements	**12,283**	–
Sales of coal	**374,345**	29,324
Bulk commodity trade	**–**	3,028,869
Hotel and marine travelling services	**58,190**	59,105
	576,533	3,224,100

7. OTHER INCOME

	2015 **HK$'000**	2014 HK$'000
Interest income from bank deposits, short-term investments and available-for-sale financial assets	**84,810**	163,485
Interest income from entrusted loan receivables	**10,471**	24,959
Interest income from deposits and other receivables	**–**	25,505
Interest income from consideration receivable from disposal of a subsidiary	**7,159**	1,452
Interest income from a related party *(note 26)*	**6,448**	4,865
Interest income from a non-controlling shareholder of a subsidiary *(note 25)*	**1,208**	1,391
Subsidy income *(note (a))*	**5,315**	–
Reversal of impairment of prepayment	**16,855**	–
Reversal of other payables *(note (b))*	**5,024**	–
Compensation from overdue deposit	**–**	5,899
Compensation income	**6,762**	–
Overdue charges under the entrusted loan arrangements	**197**	1,431
Exchange gain, net	**27,941**	–
Others	**763**	3,586
	172,953	232,573

7. OTHER INCOME *(Continued)*

Notes:

(a) Subsidy income mainly comprised unconditional government grants for subsidising the Group's property development business.

(b) As disclosed in note 44, the disposal of Chengtong Development International Trading Limited ("**CDIT**") and 杭州瑞能金屬材料有限公司 ("**杭州瑞能**") was completed on 22 December 2014 and 19 December 2014 respectively. The profit or loss of CDIT and 杭州瑞能 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 at 31 December 2014 and up to the date that the board of directors approved the Group's annual financial statements for the year ended 31 December 2014 for issue, the Group had not signed any supplemental agreement with the buyer yet. As at 31 December 2014, the Group accrued the amount of approximately HK$31,746,000 for the amounts to the buyer regarding the post agreement date results borne by the Group based on the directors' best estimation.

On 30 April 2015, the Group entered into a supplemental agreement with the buyer of CDIT and 杭州瑞能 and confirmed that the post agreement date loss in the aggregate amount of approximately HK$26,722,000 from CDIT and 杭州瑞能 should be borne by the Group. Since the supplemental agreement was signed during the year ended 31 December 2015, reversal of amount payable to the buyer regarding the post agreement date results borne by the Group of approximately HK$5,024,000 was credited to other income. Details of the supplemental agreement are set out in the Company's announcement dated 30 April 2015.

8. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on corporate bonds	**43,553**	42,985
Interest on bank and other borrowings wholly repayable within five years	**477**	8,402
Interest on discounted bills with recourse	**708**	106,791
	44,738	158,178
Less : Amounts capitalised on properties under development	**(4,159)**	(2,849)
	40,579	155,329

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.

	2015 ***HK$'000***	2014 *HK$'000*
The taxation charge comprises:		
Current tax for the year:		
Hong Kong Profits Tax	**–**	–
PRC EIT	**34,775**	71,377
PRC LAT	**2,784**	3,215
	37,559	74,592
Under-provision in prior years:		
PRC EIT	**7,972**	558
Deferred taxation *(note 37)*	**3,860**	5,377
Income tax expense	**49,391**	80,527

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

	2015 ***HK$'000***	2014 *HK$'000*
Profit/(loss) before income tax	**126,317**	(15,728)
Tax calculated at PRC EIT rate of 25% (2014: 25%)	**31,579**	(3,932)
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**3,073**	2,466
PRC LAT	**2,784**	3,215
Tax effect of expenses not deductible for tax purposes	**7,591**	13,601
Tax effect of income not taxable for tax purposes	**(12,936)**	(8,695)
Tax effect of tax losses not recognised	**5,468**	49,675
Tax effect of temporary difference not recognised	**–**	(24)
Withholding tax for undistributed profits of PRC subsidiaries	**3,860**	4,511
Withholding tax for disposal of PRC subsidiaries	**–**	19,152
Under-provision in prior years	**7,972**	558
Income tax expense	**49,391**	80,527

10. PROFIT/(LOSS) FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Profit/(loss) for the year is arrived at after charging/ (crediting):		
Auditor's remuneration	**980**	1,300
Amortisation of prepaid land lease payments	**3,256**	2,222
Depreciation of property, plant and equipment	**15,351**	17,552
Less : Amounts capitalised on properties under development	**(118)**	(122)
	15,233	17,430
Minimum lease payments in respect of rented premises	**3,056**	4,363
Contributions to retirement benefits schemes (including directors' emoluments)	**6,791**	6,946
Staff costs (including directors' emoluments)	**48,977**	48,418
Total staff costs	**55,768**	55,364
Less : Amounts capitalised on properties under development	**(1,674)**	(2,039)
	54,094	53,325
Cost of inventories recognised as expenses	**451,070**	3,227,729
Exchange (gain)/loss, net	**(27,941)**	22,317
Provision for inventories *	**1,511**	–
Loss on disposal of property, plant and equipment	**12,408**	429
Impairment of prepayment	**4,960**	–

* 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

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

For the year ended 31 December 2015

	Yuan Shaoli *HK$'000*	Wang Hongxin *HK$'000*	Wang Tianlin *HK$'000*	Zhang Bin *HK$'000*	Chang Qing *HK$'000*	Lee Man Chun, Tony *HK$'000*	He Jia (appointed with effect from 1 September 2015) *HK$'000*	Chan Sheung Lai (resigned with effect from 1 September 2015) *HK$'000*	Total *HK$'000*
Fees	360	360	240	240	280	300	120	180	2,080
Salaries	1,121	867	–	269	–	–	–	–	2,257
Performance-based bonus *(note)*	487	116	–	398	–	–	–	–	1,001
Contribution to retirement benefits schemes	120	138	–	–	–	–	–	–	258
Total emoluments	2,088	1,481	240	907	280	300	120	180	5,596

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

Note: The performance-based bonus is determined according to the performance of each individual director of the Company 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 (2014: three) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining two (2014: two) individuals were as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	1,772	1,247
Performance-based bonus	143	588
Contributions to retirement benefits schemes	36	25
	1,951	1,860

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

	Number of individuals 2015	2014
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	1	–
	2	2

During the years ended 31 December 2015 and 2014, no remunerations were paid by the Group to the directors or the two (2014: 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.

(c) Senior management's emolument

The remuneration paid to the senior management (other than the directors as disclosed in note 11(a) above) for the year fell within the following band:

	Number of individuals 2015	2014
Nil to HK$1,000,000	1	1

12. DIVIDENDS

No dividend in respect of the years ended 31 December 2015 and 2014 was proposed during the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share is based on the earnings for the year attributable to owners of the Company of HK$81,830,000 (2014: loss per share is based on the loss for the year attributable to owners of the Company of HK$51,417,000) and on the weighted average number of 5,360,538,000 (2014: 4,840,735,000) ordinary shares in issue during the year.

There were no potential dilutive ordinary shares outstanding during both years and hence the diluted earnings/loss per shares is the same as basic earnings/loss per share.

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% (2014: 10% 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 2015, contributions totalling of HK$6,791,000 (2014: HK$6,946,000) were charged to the profit or loss for the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and equipment	Motor vehicles and vessels	Facilities	Marine travel facilities and equipment	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
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
Currency realignment	**(9,334)**	**(321)**	**(2,299)**	**–**	**(463)**	**(114)**	**(12,531)**
Additions	**–**	**196**	**350**	**–**	**1,203**	**–**	**1,749**
Acquisition of subsidiaries *(note 43)*	**28,272**	**25**	**–**	**–**	**–**	**–**	**28,297**
Disposals	**–**	**(22)**	**(4,431)**	**–**	**(15,233)**	**–**	**(19,686)**
At 31 December 2015	**166,424**	**8,511**	**35,535**	**–**	**4,019**	**1,946**	**216,435**

15. PROPERTY, PLANT AND EQUIPMENT *(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 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
Currency realignment	**(797)**	**(251)**	**(606)**	**–**	**(387)**	**–**	**(2,041)**
Provided for the year	**6,513**	**1,109**	**6,712**	**–**	**1,017**	**–**	**15,351**
Eliminated on disposals	**–**	**(17)**	**(554)**	**–**	**(6,247)**	**–**	**(6,818)**
At 31 December 2015	**15,339**	**7,322**	**12,161**	**–**	**2,554**	**–**	**37,376**
Carrying amounts							
At 31 December 2015	**151,085**	**1,189**	**23,374**	**–**	**1,465**	**1,946**	**179,059**
At 31 December 2014	137,863	2,152	35,306	–	10,341	2,060	187,722

16. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Leasehold land outside Hong Kong:		
– Medium-term leases	**211,993**	53,767

	2015 HK$'000	2014 HK$'000
Opening net carrying amount	**53,767**	56,522
Acquisition of subsidiaries (*note 43*)	**171,244**	–
Amortisation charge for the year	**(3,256)**	(2,222)
Currency realignment	**(9,762)**	(533)
Closing net carrying amount	**211,993**	53,767
Analysed for reporting purposes as:		
Current assets	**5,414**	2,007
Non-current assets	**206,579**	51,760
	211,993	53,767

As at 31 December 2015 and 2014, 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

	2015 HK$'000	2014 HK$'000
At fair value		
At 1 January	**58,086**	187,760
Currency realignment	**(3,379)**	(1,771)
(Loss)/gain on change in fair value recognised in profit or loss	**(62)**	3,465
Disposal of subsidiaries (*note 44*)	**–**	(131,368)
Reclassified from properties under development	**3,823**	–
At 31 December	**58,468**	58,086

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

The fair values of the Group's investment properties at 31 December 2015 have been arrived at on the basis of a valuation carried out on that date by Jones Lang Lasalle Corporate Appraisal and Advisory Limited (2014: Roma Appraisals Limited), the independent qualified professional valuers. Jones Lang Lasalle Corporate Appraisal and Advisory Limited and Roma 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.

During the year ended 31 December 2015, the directors initiated an operating lease of which a portion of the properties under development of HK$3,823,000 being developed for future use as investment property. This portion of properties under development in inventory was reclassified to investment property under construction as a result of the change in use which the property is leased to another entity. The fair value of the investment property under construction and the carrying amount at the date of reclassification was the same for the year ended 31 December 2015.

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.

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

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

	Fair value measurement as at 31 December 2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 31 December 2015 HK$'000
Recurring fair value measurement				
Investment properties:				
Property units – the PRC	–	–	58,468	58,468

	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

During the years ended 31 December 2015 and 2014, 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.

17. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy (*Continued*)

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:

	2015	2014
	HK$'000	*HK$'000*
Opening balance (Level 3 recurring fair value)	**58,086**	187,760
Currency realignment	**(3,379)**	(1,771)
Fair value change	**(62)**	3,465
Disposal of subsidiaries	**–**	(131,368)
Reclassified from properties under development	**3,823**	–
Closing balance (Level 3 recurring fair value)	**58,468**	58,086
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	**(62)**	3,465

Information about Level 3 fair value measurement – Property units in the PRC

The fair value of property units in the PRC was determined based on investment method for the year ended 31 December 2015 and 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 potential 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 4.3% (2014: 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

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	HK10,000	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 *	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	Finance 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 **	The PRC	RMB50,000,000	51	Trading of coal
海南亞龍灣海底世界旅游有限公司 **	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
Cuidao Hotspring Hotel **#	The PRC	RMB12,000,000	100	Hotel management

* Established in the PRC as a Sino-foreign equity joint venture enterprise

** A limited liability company established in the PRC

\# Acquired during the year ended 31 December 2015

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 2015 and 2014 or at any time during the respective year.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to 誠通大豐海港開發有限公司, the subsidiary of the Group which has material non-controlling interests ("**NCI**"). The summarised financial information presented below represents the amounts before any inter-company eliminations.

	誠通大豐海港開發有限公司	
	2015	2014
	HK$'000	*HK$'000*
As at 31 December		
NCI percentage	**33.33%**	33.33%
Current assets	**443,673**	475,083
Non-current assets	**350**	487
Current liabilities	**(77,999)**	(80,843)
Non-current liabilities	**–**	–
Net assets	**366,024**	394,727
Carrying amount of NCI	**121,996**	131,563
For the year ended 31 December		
Revenue	**–**	1,785
Loss for the year	**(7,058)**	(7,482)
Total comprehensive income	**(28,703)**	(11,043)
Loss allocated to NCI	**(2,352)**	(2,494)
For the year ended 31 December		
Cash flows from operating activities	**(7,726)**	(999)
Cash flows from investing activities	**(3)**	(33)
Cash flows from financing activities	**–**	(842)
Net cash outflows	**(7,729)**	(1,874)

19. DEPOSITS PAID

	2015	2014
	HK$'000	*HK$'000*
Deposits paid for purchase of property, plant and equipment	**39,341**	29,181

20. 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 2015, carrying amount of HK$47,660,000 was transferred from properties under development to properties held for sale (2014: HK$255,524,000).

As mentioned in note 17, during the year ended 31 December 2015, properties under development with carrying amount of HK$3,823,000 (2014: Nil) was reclassified to investment properties.

21. 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.

22. INVENTORIES

	2015 HK$'000	2014 HK$'000
Coal	**19,128**	18,329
Merchandises and consumables	**3,794**	4,862
	22,922	23,191

23. TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables (*note (a)*)	**48,979**	26,841
Bills receivable from bulk commodity trade (*note (b)*)	**–**	53,037
Trade and bills receivable	**48,979**	79,878
Prepayments and deposits	**10,017**	43,394
Other receivables	**14,496**	66,015
Consideration receivable for disposal of a subsidiary (*note 44*)	**–**	214,157
Total trade and other receivables	**73,492**	403,444

Notes:

(a) As at 31 December 2015 and 2014, trade receivables mainly arose from sales of coal. There is a 0 day to 45 days credit period granted to certain customers (2014: 10 days to 1 month) of coal trading business.

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.

	2015 HK$'000	2014 HK$'000
Within three months	**48,979**	26,841

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (*Continued*)

(a) (*Continued*)

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

	2015 **HK$'000**	2014 HK$'000
Neither past due nor impaired	**48,145**	16,235
Less than one month past due	**820**	10,565
One to three months past due	**14**	41
	48,979	26,841

As at 31 December 2015, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$834,000 (2014: HK$10,606,000) 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. As at 31 December 2014, 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.

As at 31 December 2014, these banker's acceptances were issued to the Group and were due within 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 of the bills receivable had 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 are included in bank borrowings (note 35) until the debts are collected or the Group makes good any losses suffered by the banks.

24. LOANS RECEIVABLE

During the year ended 31 December 2015, the Group entered into 5 (2014: 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.

	2015 **HK$'000**	2014 HK$'000
Analysed for reporting purposes as:		
Current assets	**162,969**	85,538
Non-current assets	**261,493**	194,173
	424,462	279,711

As at 31 December 2015, effective interest rates ranged from approximately 8.20% to 10.87% (2014: 11.53% to 12.33%) per annum.

24. LOANS RECEIVABLE *(Continued)*

As at 31 December 2015 and 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 2015 and 2014, the fair value of loans receivable approximates to its carrying amount.

25. 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 5.70% (2014: 7.20%) per annum, which is 120% of the benchmark rate offered by the People's Bank of China. During the year, the Group has derived interest income of HK$1,208,000 (2014: HK$1,391,000) from this non-controlling shareholder of a subsidiary.

26. LOAN TO A RELATED PARTY

The Group has arranged two short-term loans to 中國寰島(集團)公司, a wholly-owned subsidiary of CCHG. The first loan is in a principal amount of RMB40,000,000 (equivalent to approximately HK$47,600,000) and was fully repaid during the year ended 31 December 2015. The second loan is in a principal amount of RMB30,000,000 (equivalent to approximately HK$35,700,000) and repayable on 5 February 2016. On 5 February 2016, the Group and 中國寰島(集團)公司 entered into an extension loan arrangement to extend the term of second loan for one year to 8 February 2017. The loans bear interest at 10% per annum and secured by certain listed securities investments held by 中國寰島(集團)公司. The amount presented in the consolidated statement of financial position represented the outstanding principal amount and interest receivable from 中國寰島(集團)公司.

27. ENTRUSTED LOAN RECEIVABLES

As at 31 December 2015, the Group had entered into one (2014: two) entrusted loan arrangement with customer through a licensed bank in the PRC. Details of the entrusted loan receivables are as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Entrusted loan receivables:		
Principal	**58,905**	107,100
Interest receivables	**235**	425
	59,140	107,525
Receivables within one year	**59,140**	107,525

As at 31 December 2015 and 2014, 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% (2014: 13%).

27. ENTRUSTED LOAN RECEIVABLES *(Continued)*

As at 31 December 2015 and 2014, no entrusted loan receivables have been past due or impaired. The entrusted loan receivables are mainly secured by land and buildings (2014: 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.

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 *HK$'000*	2014 *HK$'000*
Listed securities, at fair value:		
– Term note with interest of 8.125% per annum, dual-listed in Singapore and Ireland	**231,636**	–
Unlisted securities, at cost:		
– Investments with interest ranging from 8.3% to 9.6% per annum	**178,500**	–
	410,136	–

Available-for-sale financial assets are denominated in the following currencies:

	2015 *HK$'000*	2014 *HK$'000*
US dollars	**231,636**	–
RMB	**178,500**	–
	410,136	–

Within the available-for-sale financial assets, balance of HK$267,336,000 was subject to maturity from 2 to 3 years and balance of HK$142,800,000 was subject to maturity from 152 days to 1 year.

The unlisted investments amounted to HK$178,500,000 do not have quoted market prices in an active market and those fair value cannot be reliably measured. These available-for-sale financial assets are measured at cost less identified impairment losses (if any) at the end of the reporting period.

None of the available-for-sale financial assets is either past due or impaired as at 31 December 2015.

29. HELD-FOR-TRADING SECURITIES

	2015 *HK$'000*	2014 *HK$'000*
Equity securities listed in Hong Kong, at fair value	**1,234**	1,703

30. SHORT-TERM INVESTMENTS

During the years ended 31 December 2015 and 2014, the Group purchased short-term investments from major banks in the PRC.

The short-term investments as at 31 December 2015 was subject to maturity of 1 month (2014: subject to maturity ranged from 60 days to 1 year). The estimated return from these short-term investments was 3.6% per annum (2014: 4.5% to 5.5% 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 34(b)) and short-term bank loans (note 35 (b)) respectively.

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 2015, the Group is entitled to redeem the structured bank deposits at any time with immediate effect (2014: subject to maturity ranged from 30 to 181 days).

As at 31 December 2014, structured bank deposits of HK$183,960,000 were pledged to secure the bills payable (note 34(b)).

32. DEPOSITS IN OTHER FINANCIAL INSTITUTION

During the year ended 31 December 2015, the Company entered into the financial services agreement with China Chengtong Finance Corporation Ltd. ("**Chengtong Finance**"), a wholly-owned subsidiary of CCHG, pursuant to which Chengtong Finance agreed to provide the Group with a range of financial services, including the deposit services, up to 31 December 2017. The interest rates payable by Chengtong Finance to the Group for any deposits shall (i) be 20%-50% higher than the deposit interest rate prescribed by the The People's Bank of China for deposits with the same term and of the same type; (ii) not be lower than the interest rates payable by the major commercial banks in the PRC for deposits with the same term and of the same type; and (iii) not be lower than the interest rates offered by Chengtong Finance to any third party for deposits with the same term and of the same type.

As at 31 December 2015, the Group make current deposits of HK$355,650,000 (2014: Nil) with Chengtong Finance with interest of 0.39% per annum.

33. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

	2015 ***HK$'000***	2014 *HK$'000*
Bank balances and cash		
Cash at banks and in hand	**1,048,218**	728,127
Pledged bank deposits		
Deposits pledged against banking facilities granted to mortgagees	**1,737**	1,834
Deposits pledged to secure the bills payable *(note 34(b))*	**–**	1,772,982
	1,737	1,774,816

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.

Bank balances deposited in Hong Kong banks carry interest ranged from 0.04% to 0.11% (2014: from 0.01% to 0.6%) per annum.

33. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS *(Continued)*

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$186,790,000 (2014: HK$2,397,447,000) were denominated in RMB and deposited with banks in the PRC, which are 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.

34. TRADE AND OTHER PAYABLES

	2015 ***HK$'000***	2014 *HK$'000*
Trade payables *(note (a))*	**13,669**	17,398
Other payables and accruals *(note (c))*	**49,450**	99,704
Bills payable for purchase of bulk commodity *(note (b))*	**–**	2,603,097
Accrual of construction costs	**44,214**	78,010
	107,333	2,798,209

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:

	2015 ***HK$'000***	2014 *HK$'000*
Within one year	**9,232**	14,337
Over one year but less than two years	**4,088**	3,061
Over two years but less than three years	**349**	–
	13,669	17,398

(b) As at 31 December 2014, bills payable of HK$2,603,097,000 were secured by bank deposits, structured bank deposits and short-term investments of HK$1,772,982,000, HK$183,960,000 and HK$428,400,000 respectively.

As at 31 December 2014, the ultimate holding company, CCHG, has provided corporate guarantees amounted to HK$441,000,000 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 corporate guarantees which have been utilised for bills payable were amounted to HK$156,183,000. The corporate guarantees had been released during the year ended 31 December 2015.

(c) As at 31 December 2015, included in other payables and accruals, an amount of HK$3,371,000 (2014: Nil) was due to 中國寰島(集團)公司, a wholly-owned subsidiary of CCHG. The balance was unsecured, interest-free and repayable on demand.

35. BANK BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Secured bank borrowings		
Discounted bills with recourse *(note 23) (note (a))*	–	53,037
Short-term bank loans *(note (b))*	–	15,120
	–	68,157

Notes:

(a) All the discounted bills with recourse were settled as at 31 December 2015.

As at 31 December 2014, HK$53,037,000 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% 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 and unamortised portion of finance cost in relation to these discounted bills as at 31 December 2014 amounting to HK$708,000 has been charged to profit or loss for the year ended 31 December 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.

(b) The short-term bank loans were settled as at 31 December 2015.

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.

36. UNSECURED OTHER LOAN

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

37. DEFERRED TAX

Deferred tax liabilities

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

	Revaluation of prepaid land lease payments and properties *HK$'000*	Undistributed profits of PRC subsidiaries* *HK$'000*	Total *HK$'000*
At 31 December 2013	43,698	14,871	58,569
Charge to profit or loss *(note 9)*	866	4,511	5,377
Disposal of subsidiaries *(note 44)*	(4,618)	(6,192)	(10,810)
Exchange differences	(412)	(140)	(552)
At 31 December 2014	39,534	13,050	52,584
Charge to profit or loss *(note 9)*	**–**	**3,860**	**3,860**
Acquisition of subsidiaries *(note 43)*	**22,133**	**–**	**22,133**
Exchange differences	**(3,089)**	**(880)**	**(3,969)**
At 31 December 2015	**58,578**	**16,030**	**74,608**

* 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:

	2015 ***HK$'000***	2014 *HK$'000*
Estimated unused tax losses	**247,307**	223,283

No deferred tax asset in respect of the abovementioned estimated unused 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$31,957,000 (2014: HK$23,016,000) that will expire on various dates within five years from the reporting dates. Other estimated unused tax losses may be carried forward indefinitely.

38. CORPORATE BONDS

	2015	2014
	HK$'000	*HK$'000*
Corporate bonds	**694,757**	721,610

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

The 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 Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting taxes of Hong Kong or the PRC. At any time following the occurrence of a change of control, the holder of any Bonds will have the right, at such holder's option, to require the Company to redeem all, but not some, of that holder's Bonds at their principal amount plus accrued interest to the change of control put date. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the maturity date.

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

39. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2015		2014	
	Number of shares *'000*	***HK$'000***	Number of shares *'000*	*HK$'000*
Issued and fully paid:				
At 1 January	**4,840,735**	**1,224,214**	4,840,735	484,074
Subscription of shares during the period *(note (a))*	**968,000**	**977,680**	–	–
Share issuance expenses	**–**	**(16,018)**	–	–
Transferred from share premium and capital redemption reserve in accordance with the transition to no-par value regime on 3 March 2014 *(note (b))*	**–**	–	–	740,140
At 31 December	**5,808,735**	**2,185,876**	4,840,735	1,224,214

Notes:

(a) On 13 June 2015, (1) the Company, the Company's immediate holding company and the placing agent entered into a placing agreement pursuant to which the immediate holding company of the Company appointed the placing agent to procure placees for a maximum of 968,000,000 existing shares at the placing price of HK$1.01 per placing share; and (2) the Company and the Company's immediate holding company entered into a subscription agreement pursuant to which the immediate holding company of the Company conditionally agreed to subscribe for a maximum of 968,000,000 new shares at the subscription price of HK$1.01 per subscription share. The placing of shares was completed on 17 June 2015 and the subscription of shares was completed on 19 June 2015. A total of 968,000,000 existing shares have been placed at the placing price of HK$1.01 per share and a total of 968,000,000 new shares were subscribed by the immediate holding company of the Company at HK$1.01 per subscription share. Net cash proceeds of HK$961,662,000 have been received by the Company.

(b) A new Companies Ordinance (Cap. 622) came into effect on 3 March 2014. The new Companies Ordinance abolishes the concepts of authorised share capital, par value, share premium and capital redemption reserve, in respect of the share capital of Hong Kong companies. As a result, the amounts of share premium and capital redemption reserve of the Company were transferred to the share capital.

During the years ended 31 December 2015 and 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during both years.

40. SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "**Scheme**") on 27 June 2013. The purpose of the Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity.

Eligible participants of the Scheme include (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director of the Company) 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), 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 Scheme, the offer may be made to any company wholly owned by one or more eligible participants. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted and will end on 26 June 2023.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares of the Company in issue at the day on which the Scheme was adopted. The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company (or the subsidiaries) in issue from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Group (including both exercised, cancelled or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of such limit in any 12-month period up to and including the date of such further grant shall be subject to shareholders' approval in general meeting of the Company with such participant and his/her associates abstaining from voting.

An offer of the grant of an option under the Scheme 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.

Unless the Directors otherwise determined and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before any options granted under the Scheme can be exercised.

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

For the years ended 31 December 2015 and 2014, no share option had been granted, exercised, cancelled or lapsed under the Scheme. There was no outstanding option granted under the Scheme as at 1 January 2015 and 31 December 2015.

Note: Pursuant to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), which came into operation on 3 March 2014, the shares of the Company have ceased to have nominal value.

41. RESERVES

THE GROUP

Details of changes in reserves accounts of the Group are set out in the consolidated statement of changes in equity on pages 40 and 41.

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*	Available-for-sale financial assets revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated profits/(losses) *HK$'000*	Total *HK$'000*
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 39)*	(738,740)	(1,400)	–	–	–	–	–	(740,140)
At 31 December 2014	–	–	(1,999)	702	–	892	22,134	21,729
Loss for the year	–	–	–	–	–	–	(76,560)	(76,560)
Change in fair value of available-for-sale financial assets	–	–	–	–	(3,492)	–	–	(3,492)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(3,492)	–	(76,560)	(80,052)
At 31 December 2015	–	–	(1,999)	702	(3,492)	892	(54,426)	(58,323)

42. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments as lessee

At 31 December 2015, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**3,719**	3,607
In the second to fifth years inclusive	**7,267**	5,879
Over five years	**1,392**	–
	12,378	9,486

Leases are negotiated for terms ranging from one to ten years (2014: one to ten years). None of these leases include contingent rentals.

(b) Operating lease commitments as lessor

At 31 December 2015, the Group has contracted with tenants for the following future minimum lease receivables:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**2,595**	2,065
In the second to fifth years inclusive	**4,889**	3,701
Over five years	**3,776**	3,472
	11,260	9,238

Leases are negotiated for terms ranging from one to ten years (2014: one to ten years).

43. ACQUISITION OF SUBSIDIARIES

The Group had no acquisition of subsidiary during the year ended 31 December 2014.

Year ended 31 December 2015

(i) Acquisition of Huandao Int'l Travel

On 22 January 2015, the Group entered into an acquisition agreement with Hainan Huandao Taida Hotel Property Management Co. Ltd., an indirect wholly-owned subsidiary of CCHG, to acquire the entire equity interest of Huandao Int'l Travel. The acquisition was completed on 8 July 2015 and the purchase consideration as per the acquisition agreement was amounted to approximately HK$9,207,000. Following the acquisition, the Group owned the entire equity interest in Huandao Int'l Travel and Huandao Int'l Travel became a wholly-owned subsidiary of the Company. The acquisition of Huandao Int'l Travel was made with the aim to diversify the Group's business into travel business and agent services.

Pursuant to a supplemental agreement dated 8 July 2015, the loss of Huandao Int'l Travel during the period from the valuation date (being 31 July 2014) up to the date of completion (the "**post agreement date**") of approximately HK$233,000 would be borne by the vendor. The amount was settled by the vendor as at 31 December 2015. Such amount is considered as an adjustment to the purchase consideration.

The fair values of the identifiable assets and liabilities of Huandao Int'l Travel as at the date of acquisition are as follows:

	Fair value
	HK$'000
Net assets acquired:	
Other receivables	7
Short-term investments	9,920
Bank balances and cash	12,918
Trade and other payables	(13,871)
Net assets acquired	8,974

	HK$'000
Net cash inflow arising on acquisition:	
Cash consideration paid	(9,207)
Bank balances and cash acquired	12,918
Net cash inflow from acquisition of subsidiary	3,711

	HK$'000
Purchase consideration as per the acquisition agreement	9,207
Amount received from the vendor in respect of the post agreement date results borne by the vendor	(233)
Fair value of net assets acquired	(8,974)
	–

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

(i) Acquisition of Huandao Int'l Travel (*Continued*)

The fair value of other receivables amounted to HK$7,000. The gross amount of these receivables is HK$7,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Acquisition transaction costs of HK$45,000 have been recognised in the profit or loss and included under administrative expenses in the consolidated income statement for the year ended 31 December 2015.

If the acquisition had occurred on 1 January 2015, the Group's turnover and profit after tax for the year ended 31 December 2015 would have been HK$576,533,000 and HK$76,699,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and financial performance of the Group that actually would had been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

Since the acquisition date, Huandao Int'l Travel has contributed turnover and profit after tax of HK$12,000 and HK$564,000 to the Group respectively.

(ii) Acquisition of Cuidao Hotspring Hotel

On 16 June 2015, the Group entered into an acquisition agreement with 中國寰島(集團)公司, a wholly-owned subsidiary of CCHG, to acquire (a) entire equity interest of Cuidao Hotspring Hotel and (b) the debts owed by Cuidao Hotspring Hotel to the vendor. The acquisition was completed on 16 September 2015 and the purchase consideration at the date of acquisition as per the acquisition agreement was amounted to approximately HK$171,740,000. Following the acquisition, the Group owned the entire equity interest in Cuidao Hotspring Hotel and Cuidao Hotspring Hotel became a wholly-owned subsidiary of the Company. The acquisition of Cuidao Hotspring Hotel was made with the aim to diversify the Group's business into elderly healthcare business, which may bring synergistic effect to the travelling business of the Group in the PRC.

Pursuant to a supplemental agreement dated 17 September 2015, the loss of Cuidao Hotspring Hotel during the period from the valuation date (being 30 November 2013) up to the date of completion (the "**post agreement date**") of approximately HK$5,459,000 would be borne by the vendor. The amount was settled by the vendor as at 31 December 2015. Such amount is considered as an adjustment to the purchase consideration.

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) Acquisition of Cuidao Hotspring Hotel (*Continued*)

The fair values of the identifiable assets and liabilities of Cuidao Hotspring Hotel as at the date of acquisition are as follows:

	Fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	28,297
Prepaid land lease payments	171,244
Other receivables	127
Bank balances and cash	60
Trade and other payables	(6,258)
Debts owed by Cuidao Hotspring Hotel to vendor	(21,444)
Deferred tax liabilities	(22,133)
Net assets acquired	149,893

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	(171,740)
Bank balances and cash acquired	60
Net cash outflow from acquisition of subsidiary	(171,680)

	HK$'000
Purchase consideration as per the acquisition agreement	171,740
Debts owed by Cuidao Hotspring Hotel to vendor	(21,444)
Amount received from the vendor in respect of the post agreement date results borne by the vendor	(5,459)
Fair value of net assets acquired	(149,893)
Excess of interest in the net fair value of the net identifiable assets over the fair value of the total cost of acquisition of a subsidiary	5,056

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) Acquisition of Cuidao Hotspring Hotel (*Continued*)

The fair value of other receivables amounted to HK$127,000. The gross amount of these receivables is HK$127,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Acquisition transaction costs of HK$128,000 have been recognised in the profit or loss and included under administrative expenses in the consolidated income statement for the year ended 31 December 2015.

If the acquisition had occurred on 1 January 2015, the Group's turnover and profit after tax for the year ended 31 December 2015 would have been HK$576,533,000 and HK$72,229,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and financial performance of the Group that actually would had been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

Since the acquisition date, Cuidao Hotspring Hotel has contributed no turnover and loss after tax of HK$2,006,000 to the Group.

44. DISPOSAL OF SUBSIDIARIES

The Group had no disposal of subsidiary during the year ended 31 December 2015.

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 Investment Limited ("**Chengtong Coal**"); (ii) 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**"); (iii) CDIT and (iv) 杭州瑞能. 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.

44. 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**") was 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 was 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 CDIT

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 CDIT, at a consideration of RMB7,821,000 (equivalent to approximately HK$9,854,000). The disposal of CDIT was completed on 22 December 2014. The profit or loss of CDIT during the period from the valuation date (being 31 May 2014) up to the date of completion (the "**post agreement date**") was 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

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, at a consideration of RMB20,920,000 (equivalent to approximately HK$26,359,000). The disposal of 杭州瑞能 was completed on 19 December 2014. The profit or loss of 杭州瑞能 during the period from the valuation date (being 31 May 2014) up to the date of completion (the "**post agreement date**") was 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.

44. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net assets/(liabilities) of (i) Chengtong Coal; (ii) Chengtong Enterprises Group; (iii) CDIT and (iv) 杭州瑞能 at date of disposal were as follows:

	Chengtong Coal HK$'000	Chengtong Enterprises Group HK$'000	CDIT HK$'000	杭州瑞能 HK$'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

44. DISPOSAL OF SUBSIDIARIES *(Continued)*

	Chengtong Coal HK$'000	Chengtong Enterprises Group HK$'000	CDIT HK$'000	杭州瑞能 HK$'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 ended 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 23.

(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.

45. 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	2015 HK$'000	2014 HK$'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	**7,159**	1,452
中國寰島（集團）公司	Interest income	**6,448**	4,865
China Chengtong (Hong Kong) Asset Management Company Limited	Consultancy service expenses	**200**	–
Chengtong Finance *(note 32)*	Deposits	**355,650**	–
	Interest income	**40**	–
Company held by close family members of a director of a subsidiary:			
廣州市同正煤炭貿易有限公司 ("**同正煤炭**") *(note)*	Sale of coal	**23,550**	15,108
	Trade receivables	**–**	9,943

Note: The close family members of a director of a subsidiary have disposed of their equity interests in 同正煤炭 on 24 April 2015 and 同正煤炭 was no longer a related party of the Group from 24 April 2015 and thereafter.

Save as disclosed above, other balances with related parties at respective end of reporting dates are set out in the consolidated statement of financial position and notes 25, 26 and 34.

45. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

– finance leasing arrangements;

– purchase of bulk commodity; and

– sales of bulk commodity.

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

	2015 ***HK$'000***	2014 *HK$'000*
Transactions with government-related entities:		
Interest income	**28,331**	1,950
Consultancy service income from finance leasing arrangements	**5,849**	–
Gross purchase of bulk commodity	**–**	627,762
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, financial assets 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.

45. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2015 *HK$'000*	2014 *HK$'000*
Short-term employee benefits	**4,337**	4,302
Bonus	**1,001**	978
Post-employment benefits	**258**	238
	5,596	5,518

(d) During the year ended 31 December 2015, the Group acquired 100% equity interest in Travel Agent at a consideration of HK$9,207,000 and Cuidao Hotspring Hotel at a consideration of HK$171,740,000 from the indirectly wholly-owned subsidiary and a wholly-owned subsidiary of CCHG respectively. Regarding the acquisition of Cuidao Hotspring Hotel, the difference between the consideration and the fair value of the net identifiable assets being acquired of HK$5,056,000 had been dealt with the profit and loss as the excess of fair value of the net identifiable assets over the cost of acquisition of a subsidiary (note 43ii).

(e) At 31 December 2014, the ultimate holding company, CCHG, provided corporate guarantees amounted to HK441,000,000 to the banks in respect of the banking facilities granted to the subsidiaries of the Group. The corporate guarantee has been released as at 31 December 2015.

(f) 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 44).

46. CAPITAL RISK MANAGEMENT

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

The 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 35, 36 and 38 respectively.

46. 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:

	2015 HK$'000	2014 HK$'000
Current liabilities		
Bank borrowings	–	68,157
Unsecured other loans	600	600
	600	68,757
Non-current liabilities		
Corporate bonds	694,757	721,610
Total debt	695,357	790,367
Total assets	3,837,057	5,739,866
Total debt to total assets ratio	18.1%	13.8%

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	1,234	1,703
Available-for-sale financial assets	410,136	–
Loans and receivables (including cash and cash equivalents)	2,199,717	4,583,850
Financial liabilities		
At amortised costs	796,508	3,580,817

Financial risk management objectives and policies

The Group'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, available-for-sale financial assets, entrusted loan receivables, short-term investments, held-for-trading securities, structured bank deposits, pledged bank deposits, deposits in other financial institution, 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.

47. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments (*Continued*)

Financial risk management objectives and policies (*Continued*)

Currency risk

As at 31 December 2015, except for the following, the Group 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 at 31 December 2015 and 2014 are as follows:

	Assets	
	2015	2014
	HK$'000	*HK$'000*
USD	**464,119**	23,360

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.

	2015	2014
	HK$'000	*HK$'000*
Impact to the result for the year	**(19,377)**	(975)

47. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments (*Continued*)

Financial risk management objectives and policies (*Continued*)

Price risk

The Group's held-for-trading securities and certain available-for-sale financial assets are listed securities and 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 directors considered the exposure to equity price risk is minimal and no sensitivity analysis is prepared.

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable rate deposits and bank balances, deposits in other financial institution, loans receivable, certain available-for-sale financial assets, 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 deposits and bank balances, amount due from a non-controlling shareholder of a subsidiary, structured bank deposits, available-for-sale financial assets and short-term investments. The directors consider the Group's exposure of the short-term deposits and bank balances, amount due from a non-controlling shareholder of a subsidiary, structured bank deposits, available-for-sale financial assets with maturity within 1 year and short-term investments with original maturity of less than one year and their interest rate risk is not significant as these financial assets 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 (2014: 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 2015, if interest rates on interest bearing loans and receivables 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$1,726,000 (2014: HK$1,049,000).

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, available-for-sale financial assets, structured bank deposits and short-term investments, deposits in other financial institution, 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, available-for-sale financial assets, structured bank deposits and short-term investments, deposits in other financial institution 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.

47. 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 and other financial institution with high credit-rating or with good reputation.

As at 31 December 2015, the Group has concentration of credit risk with (a) four customers from coal trading, with amount of trade receivables of HK$46,936,000; (b) five lessees from sale and leaseback arrangements, with amount of loans receivable of HK$424,462,000 and (c) one entrusted loan receivables of HK$59,140,000 (2014: (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). To monitor the credit risk exposure, the management of the Group has reviewed the recoverability of each debtor periodically.

The Group carried out coal trading business involving purchase and sale transactions. Coal trading business involves various individual suppliers and customers. During the year ended 31 December 2015, 37% of turnover of coal trading (2014: 16% 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 2015, the Group has balances at banks and other institution, structured bank deposits, available-for-sale financial assets and short-term investments in certain corporations and banks in the PRC and Hong Kong. The credit risk on these balances at banks and other institution, structured bank deposits, available-for-sale financial assets and short-term investments is insignificant as the counterparties are banks with high credit-rating or with good reputation.

As at 31 December 2014, the Group has concentration of credit risk with bills receivable from bulk commodity trade issued by one bank. The credit risk on the bills receivable is limited because the counterparties are mainly banks with high credit-rating or with good reputation.

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.

47. 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 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 2015

	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	–	101,151	–	101,151	101,151
Unsecured other loans	–	600	–	600	600
Corporate bonds	4.00%	28,560	725,900	754,460	694,757
		130,311	725,900	856,211	796,508
Financial guarantee issued maximum amount guaranteed		157,478	–	157,478	–

At 31 December 2014

	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	–

47. 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 available-for-sale financial assets measured at fair value and listed equity securities (2014: 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 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 2015, the available-for-sale financial assets measured at fair value and listed equity securities which grouped into Level 1 amounted to HK$232,870,000 (2014: listed equity securities which grouped into Level 1 amounted to HK$1,703,000).

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

Fair value hierarchy

	Fair value measurement as at 31 December 2015			
				Fair value as at 31 December 2015
	Level 1	**Level 2**	**Level 3**	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	**231,636**	**–**	**–**	**231,636**
Held-for-trading securities	**1,234**	**–**	**–**	**1,234**

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

48. MAJOR NON-CASH TRANSACTION

For the year ended 31 December 2015, there is no major non-cash transaction.

For the year ended 31 December 2014, as disclosed in note 44(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.

49. CONTINGENT LIABILITIES

At 31 December 2015, the Group had contingent liabilities in relation to guarantees of approximately HK$157,478,000 (2014: HK$138,365,000) 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 2015 and 2014, the Group 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 Group.

50. CAPITAL COMMITMENTS

	2015 ***HK$'000***	2014 *HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**5,912**	18,446

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		134	153
Interests in subsidiaries		–	–
Amounts due from subsidiaries		481,538	481,536
		481,672	481,689
Current assets			
Other receivables, prepayments and deposits		3,162	216,818
Available-for-sale financial assets		231,636	–
Amounts due from subsidiaries		2,069,268	1,320,436
Bank balances and cash		52,303	27,151
		2,356,369	1,564,405
Current liabilities			
Other payables		15,731	59,389
Tax payable		–	19,152
		15,731	78,541
Net current assets		2,340,638	1,485,864
Total assets less current liabilities		2,822,310	1,967,553
Non-current liabilities			
Corporate bonds		694,757	721,610
Net assets		2,127,553	1,245,943
EQUITY			
Share capital	39	2,185,876	1,224,214
Reserves	41	(58,323)	21,729
Total equity		2,127,553	1,245,943

Approved and authorised for issue by the board of directors on 4 March 2016 and are signed on its behalf by:

Yuan Shaoli
Director

Wang Hongxin
Director

52. POST REPORTING DATE EVENT

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

(i) On 4 February 2016, Hainan Huandao Hotel and Travel Investment Co., Ltd. and Chengtong Development Trading Co., Ltd, each of which is a wholly-owned subsidiary of the Company, agreed to invest RMB75 million (equivalent to approximately HK$89.25 million) and RMB80 million (equivalent to approximately HK$95.20 million) respectively in a trust scheme hold by CITIC Trust Co., Ltd.. Such investment in trust scheme constitutes a discloseable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Information regarding investment in trust scheme is set out in the Company's announcement dated 4 February 2016.

(ii) On 5 February 2016, the Group and 中國寰島(集團)有限公司 entered into an extension loan arrangement to extend the term of the loan to 中國寰島(集團)有限公司 for one year to 8 February 2017. The extension of loan arrangement constituted a connected transaction under the Listing Rules. Details of the extension of loan arrangement were set out in this financial statements note 26 and the Company's announcement dated 5 February 2016.

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

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 2017
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)*	39,110 (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 2015 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.

	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**576,533**	3,224,100	15,500,313	8,626,661	419,483
Profit/(loss) attributable to owners of the Company	**81,830**	(51,417)	50,727	184,526	36,381
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	**179,059**	187,722	209,097	145,752	8,400
Prepaid land lease payments	**206,579**	51,760	54,496	54,866	–
Investment properties	**58,468**	58,086	187,760	175,558	237,741
Deposits paid	**39,341**	29,181	358,144	338,850	–
Loans receivable	**261,493**	194,173	–	–	11,139
Current assets					
Restricted bank balance	**–**	–	–	–	4,200
Properties held for sale	**242,917**	287,498	111,641	162,371	152,533
Properties held for development	**293,728**	311,006	313,968	303,601	301,133
Properties under development	**169,581**	160,469	283,996	218,295	251,427
Inventories	**22,922**	23,191	5,583	19,528	74,896
Trade and other receivables	**73,492**	403,444	11,709,593	6,504,106	761,363
Loans receivable	**162,969**	85,538	–	12,552	11,665
Prepaid land lease payments	**5,414**	2,007	2,026	1,960	–
Entrusted loan receivables	**59,140**	107,525	363,744	649,219	113,714
Available-for-sale financial assets	**410,136**	–	–	–	–
Held-for-trading securities	**1,234**	1,703	2,108	1,101	1,281
Derivative financial instruments	**–**	–	–	2,521	–
Short-term investments	**16,660**	594,720	2,814,314	104,550	328,404
Structured bank deposits	**167,790**	662,760	–	–	–
Pledged bank deposits	**1,737**	1,774,816	676,073	355,895	–
Deposits in other financial institution	**355,650**	–	–	–	–
Bank balances and cash	**1,048,218**	728,127	2,557,297	1,973,076	948,829
Amount due from a non-controlling shareholder of a subsidiary	**21,641**	21,686	20,488	18,450	18,567
Loan to a related party	**38,888**	54,454	50,880	–	–
Non-current assets classified as held for sale	**–**	–	–	83,320	–
Total assets	**3,837,057**	5,739,866	19,721,208	11,125,571	3,225,292

Financial Summary *(Continued)*

	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Trade and other payables	**(107,333)**	(2,798,209)	(7,287,370)	(2,943,433)	(144,189)
Deposits received from sale of properties	**(53,294)**	(58,728)	(59,306)	(21,051)	(14,573)
Taxation payable	**(2,218)**	(26,029)	(62,515)	(21,474)	(9,904)
Bank borrowings	**–**	(68,157)	(9,273,700)	(5,194,634)	(643,937)
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	**(74,608)**	(52,584)	(58,569)	(47,327)	(12,953)
Corporate bonds	**(694,757)**	(721,610)	–	(731,984)	(721,845)
Total liabilities	**(932,810)**	(3,725,917)	(17,503,588)	(9,054,598)	(1,548,550)