2014 Annual Report

中国核建

China Nuclear Industry 23 International Corporation Limited

Stock Code: 611

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ai Yilun *(Chairman)*
Mr. Chan Shu Kit *(Vice-Chairman)*
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Gao Yongping
Mr. Fu Zhigang *(Chief Executive Officer)*
Mr. Tang Chuanqing
Mr. Xu Zhaoyang

Independent Non-executive Directors

Mr. Chan Ka Ling, Edmond
Mr. Li Baolin
Mr. Wang Jimin
Mr. Chen Ying

AUDIT COMMITTEE

Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Li Baolin
Mr. Wang Jimin
Mr. Chen Ying

REMUNERATION COMMITTEE

Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Ai Yilun
Mr. Chan Shu Kit
Mr. Li Baolin
Mr. Wang Jimin
Mr. Chen Ying

NOMINATION COMMITTEE

Mr. Ai Yilun *(Chairman)*
Ms. Jian Qing
Mr. Chan Ka Ling, Edmond
Mr. Li Baolin
Mr. Wang Jimin
Mr. Chen Ying

COMPANY SECRETARY

Mr. Ng Siu Cheung

PRINCIPAL BANKERS

Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Hong Kong Branch)

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

BERMUDA LEGAL ADVISER

Conyers, Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG PRINCIPAL OFFICE

Room 2801, 28/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

STOCK CODE

611

WEBSITE

www.cni23intl.com

Responsibility
Safety Quality
Excellence

Chairman's Statement

BUSINESS REVIEW

During the year of 2014, the solar energy business of the Nanjing subsidiaries has brought the negative growth to the total turnover of the Group. The business development was severely hampered due to fierce market competition.

The investment in nuclear power maintenance still continued to bring in positive contribution to the Group.

The reduction of the turnover of the catering business has brought the negative influence to the Group which was mainly due to the impact of macroeconomic environment effect and the increase in the operation costs.

The turnover of the hotel business were slightly increased, however, as the rental and the other operation costs were significantly rose leading to the net profit reduced materially.

Financial Review

The Group's consolidated revenue for the year ended 31 December 2014 amounted to HK$322,523,000 representing a decrease of HK$234,354,000 compared to the consolidated revenue of HK$556,877,000 recorded for the year ended 31 December 2013. Consolidated loss attributable to owners of the Company for the current year was HK$40,931,000 (consolidated loss for the year ended 31 December 2013: HK$45,536,000). Basic loss per share amounted to HK cent 3.72 (for the year ended 31 December 2013: basic loss per share HK cent 4.16).

The significant increase of net loss for the current year, among other things, was mainly due to (i) the loss arising from the decrease in profit of the new energy business of the Group which was leading by severe competition that number of projects decreased substantially. Besides, the increase in operating costs and the extension of projects period also affected the second half year progress of the business development. Therefore, the relevant business of the Group recorded a significant net loss for the year ended 31 December 2014; (ii) the catering business recorded a net loss for the year ended 31 December 2014, primarily due to the effect from the macroeconomic environment and increase in operating costs which had negative impact on the results for the year ended 31 December 2014; and (iii) in compliance with the existing applicable accounting standards adopted by the Group, the zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK$120 million with conversion price of HK$1.20 per share ("Acquisition Convertible Bonds") (issued by the Company on 1 September 2011 to Shining Rejoice Limited, details of which are set out in the announcement of the Company dated 13 May 2011 and the circular of the Company dated 12 August 2011), are required to recognise as derivative financial assets/liabilities in the consolidated financial statements of the Group, while gains or losses relating to the net changes in fair value are also necessary to be reflected in the consolidated statement of profit or loss. On 15 March 2013, the conversion rights of 40,000,000 shares attaching to the Acquisition Convertible Bonds were exercised. The Company made early redemptions of the Acquisition Convertible Bonds on 20 February 2014 and 26 May 2014, respectively, and the closing prices of the shares on those dates of such redemptions were lower than that as at the end of the previous financial year. Therefore, in accordance with the existing applicable accounting standards, the Group recorded the impact of gains from net changes in fair value of the above derivative financial liabilities, and such gains decreased significantly as compared to the gains for the year ended 31 December 2013.

The Board considers that the Group remains in a healthy and solid financial condition and the Group is continuing to pursue in various investment opportunities. Loss for the year amounted to HK$57,195,000, excluding the net fair value gains from derivative financial instruments of HK$1,471,000, the imputed interest on the convertible bonds of HK$7,025,000 and the net loss on early redemption of convertible bonds of HK$5,737,000, the Group would have recorded a loss of HK$45,904,000 from its core business for the year ended 31 December 2014.

In the year of 2014, food prices remained rally as domestic market was directly affected by foreign imported inflation. However, gross profit margin of the restaurant business of the Group maintained at 66% for the current year, because our management regularly kept an eye on price changes, thus constantly monitored gross profit of food, and adopted sustainable and effective purchasing measures, so as to improve food quality and gross profit margin.

Liquidity and Financial Resources

As of 31 December 2014, the Group had no mortgage loans (31 December 2013: Nil). Net assets amounted to HK$397,474,000 (31 December 2013: HK$457,142,000).

The ratio of debt-convertible bonds to total equity was undefined (31 December 2013: 0.12). It was due to the early redemptions of the Acquisition Convertible Bonds on 20 February 2014 and 26 May 2014, respectively.

The Group has adopted the prudent and healthy fiscal policies and imposed strict control over its cash and risk management. The Group's bank balances and cash are mainly denominated in Hong Kong dollars and Renminbi, and hence it is not exposed to significant exchange risk. The Group has not used any financial instrument for hedging purpose.

Contingent Liabilities

As at 31 December 2014, the Group had no significant contingent liabilities.

Number of Employees and Remuneration Policy

As at 31 December 2014, the Group had 406 employees, the remuneration packages of whom are reviewed annually with reference to the prevailing market condition.

OUTLOOK

Facing the increase in operating costs and changes in economic environment, the management will adhere to the "sound and cautious" development concept and take appropriate actions against any possible market risk, with effective integration of internal resources and development of new business growth plan under clear strategy vision aiming to turn its own advantages into market competitiveness, so as to strive to improve its market share and increase income sources in the fierce market competition.

Ai Yilun
Chairman

Hong Kong, 6 March 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of the Company has committed to achieving high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board is of the view that throughout the year ended 31 December 2014, the Company has complied with the code provisions as set out in the CG Code.

A. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Code of Conduct and the Model Code throughout the year ended 31 December 2014.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

B. BOARD OF DIRECTORS

The composition of board of directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors:

Mr. Ai Yilun *(Chairman)*
Mr. Chan Shu Kit *(Vice-Chairman)*
Mr. Han Naishan (resigned on 9 March 2015)
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Gao Yongping
Mr. Fu Zhigang *(Chief Executive Officer)*
Mr. Song Limin (resigned on 10 July 2014)
Mr. Tang Chuanqing (appointed on 10 July 2014)
Mr. Xu Zhaoyang (appointed on 9 March 2015)

Independent Non-executive Directors:

Mr. Chan Ka Ling, Edmond
Mr. Chang Nan (resigned on 10 July 2014)
Dr. Dai Jinping (resigned on 28 February 2014)
Mr. Yu Lei (resigned on 28 February 2014)
Mr. Li Baolin (appointed on 28 February 2014)
Mr. Wang Jimin (appointed on 28 February 2014)
Mr. Chen Ying (appointed on 10 July 2014)

The biographical information of the current directors are disclosed under the section headed "Biographical Details of the Directors" on pages 20 to 23 of the annual report for the year ended 31 December 2014.

(1) Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by different persons. During the year ended 31 December 2014, Mr. Ai Yilun acted as Chairman. On 10 July 2014, Mr. Song Limin resigned and Mr. Fu Zhigang was appointed as Chief Executive Officer of the Company. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

(2) Independent Non-executive Directors

During the year ended 31 December 2014, 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 one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Director in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

(3) Directors' Re-election

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code stipulates that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the directors of the Company is appointed for a specific term of not more than 3 years. In accordance with Bye-law no. 84(1) of the Company's Bye-laws, all directors shall retire from office at each annual general meeting and they shall be eligible for re-election. It is set forth in the Bye-law no. 83(2) that any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting.

(4) Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

(5) Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate and the directors are encouraged to attend relevant training courses at the Company's expenses.

For Mr. Li Baolin, Mr. Wang Jimin, Mr. Tang Chuanqing and Mr. Chen Ying who were appointed as directors of the Company on 28 February 2014 and 10 July 2014 respectively, they had attended a training on "Responsibilities of Directors of Listed Companies" conducted by lawyer.

Apart from the induction for the newly appointed directors, the Company had also arranged the following publications to the directors of the Company during the year ended 31 December 2014:

— The New Companies Ordinance (Cap. 622) regarding Measures for Enhancing Corporate Governance

— Listing Rules Amendments regarding annual listing fee in relation to the implementation of the New Companies Ordinance

— Listing Rule Amendments relating to connected transactions and the definitions of connected person and associate

— Articles extracted from "Momentumin":

  - Uncertificated Securities Market: Enhancement of Corporate Governance
  - HKEx in Development Overdrive — An Interview with Charles Li
  - The Biggest Risk to Shareholder Value
  - The New Hong Kong Companies Ordinance — In Practice
  - New Connected Transaction Rules

— International co-operation in cross-border insolvencies: smoothing the path for foreign liquidators in Hong Kong

— Hodgson Impey Cheng Limited's notes regarding New Companies Ordinance-overview and Financial Reporting Implications, Financial Reporting Update and Recent HKFRS Development, and Tax Update

Moreover, Mr. Chan Ka Ling, Edmond had attended the seminars on "Directors Duties and Responsibilities" and "New Companies Ordinance" conducted by Brandt Chan & Partners and Companies Registry respectively. He had also read the following publications:

— A Plus issued by Hong Kong Institute of Certified Public Accountants

— Report on independent audit oversight issued by Financial Reporting Council

Mr. Chen Ying had also read the publication "In defense of shareholder value".

C. BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors. The members of the Board committees during the year and up to the date of this annual report are set out below:

Audit Committee:

Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Chang Nan (resigned on 10 July 2014)
Dr. Dai Jinping (resigned on 28 February 2014)
Mr. Yu Lei (resigned on 28 February 2014)
Mr. Li Baolin (appointed on 28 February 2014)
Mr. Wang Jimin (appointed on 28 February 2014)
Mr. Chen Ying (appointed on 10 July 2014)

Remuneration Committee:

Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Ai Yilun
Mr. Chan Shu Kit
Mr. Chang Nan (resigned on 10 July 2014)
Dr. Dai Jinping (resigned on 28 February 2014)
Mr. Yu Lei (resigned on 28 February 2014)
Mr. Li Baolin (appointed on 28 February 2014)
Mr. Wang Jimin (appointed on 28 February 2014)
Mr. Chen Ying (appointed on 10 July 2014)

Nomination Committee:

Mr. Ai Yilun *(Chairman)*
Ms. Jian Qing
Mr. Chan Ka Ling, Edmond
Mr. Chang Nan (resigned on 10 July 2014)
Dr. Dai Jinping (resigned on 28 February 2014)
Mr. Yu Lei (resigned on 28 February 2014)
Mr. Li Baolin (appointed on 28 February 2014)
Mr. Wang Jimin (appointed on 28 February 2014)
Mr. Chen Ying (appointed on 10 July 2014)

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

(1) Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2014, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors and the other matters in accordance with the Audit Committee's written terms of reference.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

(2) Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2014, the Remuneration Committee held two meetings to review and make recommendation to the Board on the remuneration packages of the directors and other related matters in accordance with the Remuneration Committee's written terms of reference.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration band	Number of individuals
Nil to 500,000	1
500,001–1,000,000	3

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 and 11 to the consolidated financial statements respectively as set out on pages 72 to 75 of this annual report.

(3) Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year ended 31 December 2014, the Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

(4) Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

D. ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting	Independent Non-Executive Directors Meeting
Ai Yilun	14/24	2/2	2/2	N/A	1/1	N/A
Chan Shu Kit	24/24	N/A	2/2	N/A	1/1	N/A
Jian Qing	24/24	2/2	N/A	N/A	0/1	N/A
Chung Chi Shing	24/24	N/A	N/A	N/A	0/1	N/A
Gao Yongping	14/24	N/A	N/A	N/A	0/1	N/A
Fu Zhigang	18/24	N/A	N/A	N/A	1/1	N/A
Tang Chuanqing	7/11	N/A	N/A	N/A	N/A	N/A
Chan Ka Ling, Edmond	14/24	2/2	2/2	2/2	1/1	3/3
Li Baolin	10/19	1/1	1/1	2/2	1/1	3/3
Wang Jimin	10/19	1/1	1/1	2/2	1/1	3/3
Chen Ying	7/11	N/A	N/A	1/1	N/A	3/3
Han Naishan *(resigned)*	12/24	N/A	N/A	N/A	0/1	N/A
Song Limin *(resigned)*	13/13	N/A	N/A	N/A	1/1	N/A
Chang Nan *(resigned)*	5/13	2/2	2/2	1/1	0/1	N/A
Dai Jinping *(resigned)*	2/5	1/1	1/1	N/A	N/A	N/A
Yu Lei *(resigned)*	2/5	1/1	1/1	N/A	N/A	N/A

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of Executive Directors during the year ended 31 December 2014.

E. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 26 to 27.

F. AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2014 amounted to HK$910,000 and HK$350,000 respectively.

G. INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

H. SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

(1) Convening a Special General Meeting by Shareholders

Pursuant to the Bye-law no. 58 of the Company's Bye-laws, shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require the convening of a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting in accordance with Section 74(3) of the Bermuda Companies Act 1981.

(2) Putting Forward Proposals at General Meeting

Pursuant to Section 79 of the Bermuda Companies Act 1981, shareholders representing not less than one-twentieth of the total voting rights of all shareholders; or not less than 100 shareholders may make requisition in writing to the Company:

(a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

(3) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

(4) Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 2801, 28/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong (For the attention of the Chief Executive Officer/Company Secretary)
Fax:	(852) 3983 0999
Tel:	(852) 3983 0923
Email:	info@cni23intl.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

I. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

During the year ended 31 December 2014, there was no significant change in the Company's constitutional documents, and these documents are available on the websites of the Company and of the Stock Exchange.

Directors' Report

The directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries and associate are set out in notes 21 and 22 to the consolidated financial statements respectively. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 28 to 99.

The Board did not recommend payment of a final dividend for the year ended 31 December 2014 (for the year ended 31 December 2013: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 100. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group during the year ended 31 December 2014 are set out in notes 16 and 17 to the consolidated financial statement, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2014 are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2014 are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for less than 30% of the total sales for the year.

The percentages of purchases for the year ended 31 December 2014 attributable to the Group's major suppliers are as follows:

	Percentage of the total purchases accounted for
Purchases	
— the largest supplier	10%
— five largest suppliers combined	42%

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were as follows:

Executive Directors:

Mr. Ai Yilun *(Chairman)*
Mr. Chan Shu Kit *(Vice-Chairman)*
Mr. Han Naishan (resigned on 9 March 2015)
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Gao Yongping
Mr. Fu Zhigang *(Chief Executive Officer)*
Mr. Song Limin (resigned on 10 July 2014)
Mr. Tang Chuanqing (appointed on 10 July 2014)
Mr. Xu Zhaoyang (appointed on 9 March 2015)

Independent Non-executive Directors:

Mr. Chan Ka Ling, Edmond
Mr. Chang Nan (resigned on 10 July 2014)
Dr. Dai Jinping (resigned on 28 February 2014)
Mr. Yu Lei (resigned on 28 February 2014)
Mr. Li Baolin (appointed on 28 February 2014)
Mr. Wang Jimin (appointed on 28 February 2014)
Mr. Chen Ying (appointed on 10 July 2014)

In accordance with Bye-laws 83(2) and 84(1) of the Company's Bye-laws, Mr. Ai Yilun, Mr. Chan Shu Kit, Ms. Jian Qing, Mr. Chung Chi Shing, Mr. Gao Yongping, Mr. Fu Zhigang, Mr. Tang Chuanqing, Mr. Xu Zhaoyang, Mr. Chan Ka Ling, Edmond, Mr. Li Baolin, Mr. Wang Jimin and Mr. Chen Ying, all of the directors of the Company, would retire at the forthcoming 2015 Annual General Meeting and that all the retiring directors, being eligible, would offer themselves for re-election at the forthcoming 2015 Annual General Meeting.

The Company has received annual confirmations of independence from each of Mr. Chan Ka Ling, Edmond, Mr. Li Baolin, Mr. Wang Jimin and Mr. Chen Ying, the Independent Non-executive Directors as at 31 December 2014.

DIRECTORS' SERVICE CONTRACTS

Mr. Ai Yilun, being the Chairman and an Executive Director of the Company, has a letter of appointment with the Company for a term of three years to 26 December 2016 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Chan Shu Kit, being the Vice-Chairman and an Executive Director of the Company, has a service contract with the Company for a term of three years to 31 March 2016 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Ms. Jian Qing, being an Executive Director of the Company, has a service contract with the Company for a term of three years to 18 October 2015 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Chung Chi Shing, being an Executive Director of the Company, has a service contract with the Company for a term of three years to 30 November 2016 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Gao Yongping, being an Executive Director of the Company, has a letter of appointment with the Company for a term of three years to 26 December 2016 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Fu Zhigang, being an Executive Director and the Chief Executive Officer of the Company, has a letter of appointment with the Company for a term of three years to 9 July 2017 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Tang Chuanqing, being an Executive Director of the Company, has a letter of appointment with the Company for a term of three years to 9 July 2017 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Xu Zhaoyang, being an Executive Director of the Company, has a letter of appointment with the Company for a term of three years to 8 March 2018 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Chan Ka Ling, Edmond, being an Independent Non-executive Director of the Company, has a letter of appointment with the Company for a term of three years to 31 March 2016 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Each of Mr. Li Baolin and Mr. Wang Jimin, being the Independent Non-executive Directors of the Company, has a letter of appointment with the Company for a term of three years to 27 February 2017 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Chen Ying, being an Independent Non-executive Director of the Company, has a letter of appointment with the Company for a term of three years to 9 July 2017 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
Chan Shu Kit	Interest of controlled corporation *(Note)*	114,240,000	10.36%

Note: These shares are held through Hoylake Holdings Limited, a company wholly owned by Chan Shu Kit.

Save as disclosed above, as at 31 December 2014, none of the directors or 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 (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2014, the persons (other than the directors of the Company, whose interests have been disclosed in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures") had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
中國核工業建設集團公司 (China Nuclear Engineering Group Co.*) *(note 1)*	Interest of controlled corporations	400,000,000	36.30%
中核投資有限公司 ZOC Investment Co., Ltd. *(note 1)*	Interest of controlled corporation	400,000,000	36.30%
中核投資(香港)有限公司 China He Investment (Hong Kong) Company Limited *(note 1)*	Beneficial owner	400,000,000	36.30%
Hoylake Holdings Limited *(note 2)*	Beneficial owner	114,240,000	10.36%
Zhao Xu Guang *(note 3)*	Interest of controlled corporations	84,676,000	7.68%
Prosper Alliance Investments Limited *(note 3)*	Beneficial owner	60,000,000	5.44%
Cheung Mui *(note 4)*	Interest of controlled corporation	60,000,000	5.44%
Grand Honest Limited *(note 4)*	Beneficial owner	60,000,000	5.44%

Notes:

1. 中核投資有限公司 ZOC Investment Co., Ltd. ("ZOC Investment") is deemed to be interested in 400,000,000 shares of the Company held by its wholly-owned subsidiary 中核投資(香港)有限公司 China He Investment (Hong Kong) Company Limited. 中國核工業建設集團公司 (China Nuclear Engineering Group Co.*) ("CNEGC") is deemed to be interested in these 400,000,000 shares by virtue of its holding 100% interests in ZOC Investment.

2. Hoylake Holdings Limited is wholly-owned by Chan Shu Kit, a director of the Company.

3. Zhao Xu Guang is deemed to be interested in 84,676,000 shares of the Company of which 60,000,000 shares and 24,676,000 shares were held by Prosper Alliance Investments Limited and Rui Tong Investments Limited respectively. Prosper Alliance Investments Limited and Rui Tong Investments Limited are wholly-owned by Mr. Zhao.

4. Grand Honest Limited is wholly-owned by Cheung Mui and she is deemed to be interested in its holding of 60,000,000 shares of the Company.

* *for identification purpose only*

Save as disclosed above, as at 31 December 2014, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Name	Age	Position held	Business experience
Mr. Ai Yilun	45	Chairman and Executive Director	Mr. Ai joined the Company on 27 December 2013. He obtained a Doctorate Degree in World Economics from Jilin University in the PRC. He is currently the general manager of ZOC Investment, a controlling shareholder of the Company. Mr. Ai had previously held different positions including the chairman and general manager of 北京中經科環質量認證有限公司 (transliterated as Beijing Zhongjing Kehuan Quality Certification Co., Ltd.), the secretary of the board of directors of 北京中核投資有限公司 (transliterated as Beijing Zhong He Investment Co., Ltd.), the vice general manager of ZOC Investment and the general manager of 中核新能源投資有限公司 (transliterated as ZOC New Energy Investment Co., Ltd.) ("ZOC New Energy").
Mr. Chan Shu Kit	66	Vice-Chairman and Executive Director	Mr. Chan is a co-founder of the Group and has over 40 years' experience in the catering business. He is responsible for the overall corporate strategy of the Group's catering and hotel businesses and is acting as director of some of the subsidiary companies of the Group.
Ms. Jian Qing	43	Executive Director	Ms. Jian joined the Company on 19 October 2009 and has been involved in the identifying suitable investments opportunities for the Company via her business network. Ms. Jian graduated from the Jilin University in China with a Bachelor Degree in Economics. She also holds a Degree of Master in Business Administration from the Lawrence Technology University in the United States of America. She has more than 16 years of experience in different areas of securities and financial management, which was gained from a number of securities companies in China.
Mr. Chung Chi Shing	50	Executive Director	Mr. Chung joined the Company on 1 December 2010. He has more than 20 years of working experience and was an executive director and chief executive officer of Central China Enterprises Limited (Stock Code: 351) from 2000 to 2004, a director of a trading company of chemical products from 2005 to 2006, a director of Vega Science & Technology (HK) Co., Limited (a manufacturer of printed circuit board drilling machines) from 2007 to 2012 and an executive director of GCL New Energy Holdings Limited (formerly known as Same Time Holdings Limited) (stock code: 451), the shares of which are listed on the Stock Exchange, from 2011 to 2014.

Name	Age	Position held	Business experience
Mr. Gao Yongping	49	Executive Director	Mr. Gao joined the Company on 27 December 2013. Mr. Gao graduated from Jilin University of Finance and Economics in the PRC with a Bachelor Degree in Economics. He has more than 18 years of working experience in finance. He is currently the general manager of ZOC Trans Union Investment Fund Management (Beijing) Co., Ltd., the manager of the fund management department and assistant to the general manager of ZOC Investment, a controlling shareholder of the Company. He had previously held different positions including the director of foreign exchange administration at the State Administration of Foreign Exchange, Shenyang Branch, the general manager of the international business department and general manager of the corporate banking department at China Merchants Bank, Shenyang Branch and the bank president of China Merchants Bank, Xingshun Branch. Mr. Gao also obtained the qualification of a senior economist from China Merchants Bank in 2000.
Mr. Fu Zhigang	44	Executive Director and Chief Executive Officer	Mr. Fu joined the Company on 27 December 2013 and was appointed as Chief Executive Officer on 10 July 2014. Mr. Fu obtained a Bachelor Degree in Economics from Central University of Finance and Economics in the PRC. He is also qualified as an accountant conferred by the Ministry of Finance of the PRC. He is currently the vice financial controller and the director of finance department at ZOC Investment, a controlling shareholder of the Company. Mr. Fu was previously the accountant manager at 北京明天浩海科技集團 (transliterated as Beijing Tomorrow Ocean Technology Group), the director of financial centre at 大連實德集團塑膠北京分公司 (transliterated as Dalian Shide Group Plastic Beijing Branch) and the accountant controller at 山東新汶礦業集團 (transliterated as Shandong Xinwen Mining Group).
Mr. Tang Chuanqing	45	Executive Director	Mr. Tang joined the Company on 10 July 2014. Mr. Tang obtained a Bachelor of Business Administration Degree from Nanjing University of Finance and Economics in the PRC. He is qualified as certified public accountant conferred by the Jiangsu Institute of Certified Public Accountants of the PRC and the State Administration of Taxation of the PRC and as a senior accountant conferred by the Jiangsu Municipal Human Resources and Social Security Bureau. He is currently the chief accountant of ZOC Investment, a controlling shareholder of the Company. Mr. Tang was previously the financial controller of ZOC New Energy, and the director assistant of the finance management department of China Nuclear Industry Huaxing Construction Co., Ltd..

Name	Age	Position held	Business experience
Mr. Xu Zhaoyang	43	Executive Director	Mr. Xu joined the Company on 9 March 2015. Mr. Xu obtained a Bachelor of Agricultural Economics Degree from Renmin University of China in 1995, a Master of Business Administration Degree from Tsinghua University in 2004 and a Doctor of Philosophy Degree in National Economics from Graduate School of Chinese Academy of Social Sciences in 2011. He is currently the chief legal counsel, secretary to the Board, director of the risk management department and manager of the Board office of ZOC Investment, a controlling shareholder of the Company. Mr. Xu was previously the director of the operational planning department and director of the investment department of ZOC Investment as well as the secretary to the Board, manager of the investment department and manager of the commerce department of ZOC New Energy.
Mr. Chan Ka Ling, Edmond	56	Independent Non-executive Director	Mr. Chan is a partner of Chan and Chan, Certified Public Accountants. He is a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also a director of Kreston CAC CPA Limited. Mr. Chan is an independent non-executive director of Loco Hong Kong Holdings Limited (stock code: 8162), the shares of which are listed on the Stock Exchange.
Mr. Li Baolin	50	Independent Non-executive Director	Mr. Li joined the Company on 28 February 2014. Mr. Li obtained a Doctorate Degree in Economics from Jilin University in the PRC. He is currently the chairman of China Gaoxin Investment Group Corp. ("China Gaoxin"). Mr. Li was a director and the general manager of China Gaoxin before his appointment as the chairman. Mr. Li has been working with China Gaoxin since 1995 and had held different positions in China Gaoxin including a director of the office of the general manager, assistant to the general manager and deputy general manager.
Mr. Wang Jimin	50	Independent Non-executive Director	Mr. Wang joined the Company on 28 February 2014. Mr. Wang obtained a Master Degree in Economics from Central University of Finance and Economics in the PRC. He has been a partner of an accountant firm, Asia Pacific CPA (Group) Co., Ltd., in Shenzhen, PRC, specializing in corporate listings, capital operation and mergers and acquisitions, since 2002. Prior to this, Mr. Wang was a manager of finance and accounting division of Guangdong International Trust and Investment Corporation, Shenzhen Branch from May 1996 to October 2002. He was also a project manager and assistant manager in Shenzhen Shekou XinDe Certified Public Accountants from October 1993 to May 1996 and worked with Jilin Trust and Investment Company from December 1991 to October 1993.

Name	Age	Position held	Business experience
Mr. Chen Ying	47	Independent Non-executive Director	Mr. Chen joined the Company on 10 July 2014. He obtained a Master of Business Administration Degree from Vanderbilt University in the USA. He is currently an investment director and a portfolio manager of New Top-Founder Investment Management Co., Ltd. Mr. Chen had previously held different positions including co-portfolio manager of Greenwoods Asset Management Hong Kong Limited, portfolio manager of Gerken Capital Associates and analyst of US Global Investors, Inc.

CHANGE OF DIRECTOR'S INFORMATION

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, saved for what has been disclosed in the above section headed "Directors' Service Contracts", change in information of Directors of our Company are as follows:

- Mr. Gao Yongping was appointed as a director Guoxin Energy Limited, CNI23 (Nanjing) Energy Development Company Limited and 南京中核二三能源工程有限公司 (transliterated as Nanjing CNI23 Energy Engineering Company Limited). The above companies are members of the Group.

- Mr. Chung Chi Shing had ceased to be an executive director of GCL New Energy Holdings Limited (formerly known as Same Time Holdings Limited) (Stock Code: 451), the shares of which are listed on the Stock Exchange, on 9 May 2014.

CONTINUING CONNECTED TRANSACTIONS

Reference was made to the announcements of the Company dated 28 February 2014 and 7 November 2014 (the "Announcements") in relation to, amongst other things:

1. Provision of engineering, procurement and construction services to 大同縣協鑫光伏電力有限公司 (transliterated as Datong Xian GCL Solar Power Co., Ltd.) ("GCL Datong") in respect of the Datong Solar Project:

    - procurement of construction equipment and materials

    - provision of construction, installation and related services

2. Engage 中國核工業二三建設有限公司 (transliterated as China Nuclear Industry 23 Construction Company Limited) ("CNI23") as a construction sub-contractor exclusively to construction works in the Republic of Iraq:

    - supply construction equipment and designated materials

    - supply management and technical personnel and construction workers

3. Provision of engineering, procurement and construction services to 黎城協鑫光伏電力有限公司 (transliterated as Licheng GCL Solar Power Co., Ltd.) ("GCL Licheng") in respect of the Licheng Solar Project:

    - provision of engineering design services

    - procurement of construction equipment and materials

- provision of construction, installation and related services

4. Provision of engineering design services to 寶應鑫源光伏發電有限公司 (transliterated as Baoying Xinyuan Solar Power Co., Ltd.) ("GCL Baoying") in respect of the Baoying Solar Project:

   - provision of engineering design services

5. Provision of engineering design services to 榆林市榆神工業區東投能源有限公司 (transliterated as Yulin City Yushen Industrial District Dongtou Power Co., Ltd.) ("GCL Yushen") in respect of the Yushen Solar Project:

   - provision of engineering design services

Notes:

(i) During the year ended 31 December 2014, CNI23, the immediate holding company of a substantial shareholder of the Company has become a company under common control of CNEGC after the change in shareholding structure of CNEGC. Details of the change in shareholding structure of CNEGC were set out in the Company's announcement dated 26 June 2014.

(ii) CNEGC is the ultimate controlling shareholder of the Company.

(iii) GCL Datong, GCL Licheng, GCL Baoying and GCL Yushen's ultimate controlling shareholder is Golden Concord Group Limited which is an indirect substantial shareholder of a subsidiary of the Company.

The transactions mentioned above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the continuing connected transactions were set out in the Announcements of the Company.

The aggregate annual values of the continuing connected transactions have not exceeded the maximum aggregate annual values disclosed in the Announcements made by the Company in respect of each of the continuing connected transactions.

The Company's Independent Non-executive Directors have reviewed the continuing connected transactions as mentioned above and have confirmed that:

(1) the terms of the relevant agreement governing each of the continuing connected transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole;

(2) the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group; and

(3) the continuing connected transactions have been entered into on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties.

HLB Hodgson Impey Cheng Limited, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 '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. HLB Hodgson Impey Cheng Limited have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

HLB Hodgson Impey Cheng acted as auditor of the Company since 18 August 2011. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited and HLB Hodgson Impey Cheng Limited acted as auditor of the Company since 28 August 2012.

HLB Hodgson Impey Cheng Limited will retire as auditors of the Company at the conclusion of the 2015 annual general meeting to be held on 8 May 2015 and will not offer themselves for re-appointment.

The Board has resolved, with the recommendation of Audit Committee of the Company, to propose the appointment of BDO Limited as the new auditors of the Company to fill the vacancy immediately following the retirement of HLB Hodgson Impey Cheng Limited, subject to the approval of the shareholders of the Company at the 2015 annual general meeting.

ON BEHALF OF THE BOARD

Ai Yilun
Chairman

Hong Kong, 6 March 2015

Independent Auditors' Report

國衛會計師事務所有限公司
HLB Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
CHINA NUCLEAR INDUSTRY 23 INTERNATIONAL CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Nuclear Industry 23 International Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 6 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	7	**322,523**	556,877
Other revenue and gains	7	**4,081**	2,897
Cost of inventories used		**(105,380)**	(243,817)
Construction costs		**(47,603)**	(63,798)
Staff costs		**(95,430)**	(98,487)
Rental expenses		**(46,060)**	(44,497)
Utility expenses		**(16,882)**	(19,985)
Depreciation	16	**(6,828)**	(8,642)
Other operating expenses		**(72,827)**	(144,931)
Fair value gains on derivative financial instruments, net		**1,471**	40,833
Finance costs	8	**(7,025)**	(19,596)
Share of results of associates, net	22	**5,958**	15,515
Loss before taxation	9	**(64,002)**	(27,631)
Income tax credit/(expense)	12	**6,807**	(9,017)
Loss for the year		**(57,195)**	(36,648)
Other comprehensive (loss)/income for the year, net of tax			
Item that will not be reclassified to profit or loss			
Loss on property revaluation		**(55)**	(154)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations			
— Exchange differences arising during the year		**(533)**	1,073
— Reclassification adjustments relating to foreign operations disposed of during the year		**—**	(2,586)
Share of other comprehensive (loss)/income of associates		**(1,885)**	1,806
Total comprehensive loss for the year		**(59,668)**	(36,509)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(40,931)**	(45,536)
Non-controlling interests		**(16,264)**	8,888
		(57,195)	(36,648)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(43,143)**	(45,922)
Non-controlling interests		**(16,525)**	9,413
		(59,668)	(36,509)
Loss per share attributable to owners of the Company			
— Basic and diluted (HK cent per share)	15	**(3.72)**	(4.16)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**20,846**	24,783
Investment property	17	**38,000**	38,000
Prepaid land lease payments	18	**6,695**	6,796
Available-for-sale investment	19	**500**	500
Goodwill	20	**—**	—
Interest in an associate	22	**68,162**	76,958
Deferred tax assets, net	33	**3,755**	3,560
		137,958	150,597
Current assets			
Inventories	23	**8,260**	59,033
Trade and bills receivables	24	**53,797**	221,330
Prepayments, deposits and other receivables	25	**21,753**	144,288
Amounts due from customers for contract work	26	**55,765**	6,725
Tax prepayment		**1,395**	349
Cash and cash equivalents	27	**252,882**	198,456
		393,852	630,181
Less: Current liabilities			
Trade payables	28	**70,105**	192,242
Other payables and accruals	29	**58,537**	58,457
Provision for long service payments	30	**3,402**	1,928
Tax payable		**1,162**	9,650
Convertible bonds	31	**—**	56,172
Derivative financial instruments	32	**—**	4,537
		133,206	322,986
Net current assets		**260,646**	307,195
Total assets less current liabilities		**398,604**	457,792

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Less: Non-current liabilities			
Receipt in advance		**1,130**	650
Deferred tax liabilities, net	33	**—**	—
		1,130	650
Net assets		**397,474**	457,142
Capital and reserves			
Share capital	34	**110,166**	110,166
Reserves	35	**297,358**	340,501
Equity attributable to owners of the Company		**407,524**	450,667
Non-controlling interests		**(10,050)**	6,475
Total equity		**397,474**	457,142

Approved by the Board of Directors on 6 March 2015 and signed on its behalf by:

Mr. Chan Shu Kit
Director

Mr. Fu Zhigang
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Issued share capital	Share premium	Building revaluation reserve	Exchange reserve	Statutory reserve	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	106,166	1,259,463	976	513	—	(931,049)	436,069	152	436,221
(Loss)/profit for the year	—	—	—	—	—	(45,536)	(45,536)	8,888	(36,648)
Other comprehensive (loss)/income for the year:									
Deficit arising from revaluation of buildings	—	—	(154)	—	—	—	(154)	—	(154)
Exchange differences on translation of foreign operations									
— Exchange differences arising during the year	—	—	—	548	—	—	548	525	1,073
— Reclassification adjustments relating to foreign operations disposed of during the year	—	—	—	(2,586)	—	—	(2,586)	—	(2,586)
Share of other comprehensive income of associates	—	—	—	1,806	—	—	1,806	—	1,806
Total comprehensive (loss)/income for the year	—	—	(154)	(232)	—	(45,536)	(45,922)	9,413	(36,509)
PRC statutory reserve	—	—	—	—	2,686	(2,686)	—	—	—
Partial disposal of a subsidiary	—	—	—	—	—	1,620	1,620	(1,620)	—
Issue of shares upon conversion of convertible bonds	4,000	54,900	—	—	—	—	58,900	—	58,900
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	—	(1,470)	(1,470)
At 31 December 2013 and 1 January 2014	110,166	1,314,363	822	281	2,686	(977,651)	450,667	6,475	457,142
Loss for the year	—	—	—	—	—	(40,931)	(40,931)	(16,264)	(57,195)
Other comprehensive loss for the year:									
Deficit arising from revaluation of buildings	—	—	(55)	—	—	—	(55)	—	(55)
Exchange differences on translation of foreign operations									
— Exchange differences arising during the year	—	—	—	(272)	—	—	(272)	(261)	(533)
Share of other comprehensive loss of an associate	—	—	—	(1,885)	—	—	(1,885)	—	(1,885)
Total comprehensive loss for the year	—	—	(55)	(2,157)	—	(40,931)	(43,143)	(16,525)	(59,668)
At 31 December 2014	**110,166**	**1,314,363**	**767**	**(1,876)**	**2,686**	**(1,018,582)**	**407,524**	**(10,050)**	**397,474**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss before taxation		**(64,002)**	(27,631)
Adjustments for:			
Fair value gains on derivative financial instruments, net		**(1,471)**	(40,833)
Finance costs	8	**7,025**	19,596
Interest income	7	**(491)**	(764)
Depreciation	16	**6,828**	9,008
Recognition of prepaid land lease payments	9	**101**	101
Share of results of associates	22	**(5,958)**	(15,515)
Loss on written off of property, plant and equipment		**1,184**	1,053
Gain on disposal of property, plant and equipment		**(6)**	—
Loss on early redemption of convertible bonds		**5,737**	—
Loss on disposal of a subsidiary	36	**—**	75,157
Operating cash flow before working capital changes		**(51,053)**	20,172
Decrease/(increase) in inventories		**51,222**	(49,871)
Decrease/(increase) in trade and bills receivables		**169,215**	(217,429)
Decrease/(increase) in prepayments, deposits and other receivables		**123,633**	(6,224)
(Increase)/decrease in amounts due from customers for contract work		**(48,989)**	5,231
(Decrease)/increase in trade payables		**(123,598)**	174,686
(Decrease)/increase in other payables and accruals		**(365)**	37,499
Increase/(decrease) in receipt in advance		**480**	(250)
Increase/(decrease) in provision for long service payments		**1,474**	(321)
Cash generated from/(used in) operations		**122,019**	(36,507)
Profits tax paid		**(2,922)**	(2,858)
Net cash inflows/(outflows) from operating activities		**119,097**	(39,365)
Cash flows from investing activities			
Purchase of items of property, plant and equipment	16	**(4,153)**	(12,157)
Proceeds from disposal of property, plant and equipment		**6**	—
Interest received		**491**	764
Dividend received from an associate		**12,869**	777
Net cash inflow arising on disposal of a subsidiary	36	**—**	14,952
Net cash inflows from investing activities		**9,213**	4,336

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from financing activities			
Interest paid		—	(86)
Dividend paid to a non-controlling shareholder		—	(1,470)
Redemptions of convertible bonds		**(72,000)**	—
Net cash outflows from financing activities		**(72,000)**	(1,556)
Net increase/(decrease) in cash and cash equivalents		**56,310**	(36,585)
Cash and cash equivalents at the beginning of the year		**198,456**	235,422
Effect of foreign exchange rate changes		**(1,884)**	(381)
Cash and cash equivalents at the end of the year		**252,882**	198,456
Analysis of balances of cash and cash equivalents			
Cash and bank balances	27	**137,282**	170,456
Time deposits	27	**115,600**	28,000
		252,882	198,456

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current asset			
Investments in subsidiaries	21	**478,883**	528,643
Current asset			
Cash and bank balances	27	**202**	206
Less: Current liabilities			
Other payables and accruals	29	**11**	391
Convertible bonds	31	**—**	56,172
Derivative financial instruments	32	**—**	4,537
		11	61,100
Net current assets/(liabilities)		**191**	(60,894)
Total assets less current liabilities		**479,074**	467,749
Less: Non-current liability			
Amounts due to subsidiaries	21	**69,964**	44,142
Net assets		**409,110**	423,607
Capital and reserves			
Share capital	34	**110,166**	110,166
Reserves	35	**298,944**	313,441
Total equity		**409,110**	423,607

Approved by the Board of Directors on 6 March 2015 and signed on its behalf by:

Mr. Chan Shu Kit
Director

Mr. Fu Zhigang
Director

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

China Nuclear Industry 23 International Corporation Limited (the "Company") is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal place of business of the Company is located at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The ultimate holding company is 中國核工業建設集團公司 (transliterated as "China Nuclear Engineering Group Co.").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the "Group") and all amounts are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries and associate are described in notes 21 and 22 respectively.

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

The accounting policies adopted in the consolidated financial statements for the year ended 31 December 2014 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013 except as described below.

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the current accounting year of the Group. The new and revised HKFRSs adopted by the Group in the consolidated financial statements are set out below:

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

The application of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
HKFRS 9	Financial Instruments[6]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[3]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]

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

[1] Effective for annual periods beginning on or after 1 July 2014

[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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

[4] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

[5] Effective for annual periods beginning on or after 1 January 2017

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 9 Financial Instruments (Continued)

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the Standard introduces a 5-step 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 the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)

A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group is in the process of assessing the potential impact of these new and revised HKFRSs but is not yet in a position to determine whether these new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new and revised HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), which are set out in section 76 to 87 of Schedule 11 to that Ordinance.

Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Subsidiaries (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 are measured in accordance with that standard.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

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

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

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill (Continued)

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

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

Related party transactions

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Group or of a parent of the Group.

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

   (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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment including buildings and leasehold land classified as finance leases are stated at cost or valuation less subsequent accumulated depreciation and accumulated impairment losses, if any.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the building revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of profit or loss and other comprehensive income. Any subsequent revaluation surplus is credited to the consolidated statement of profit or loss and other comprehensive income to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the building revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Furniture and fixtures	6–20%
Air-conditioning plant	15–20%
Electrical appliances	10–33%
Office equipment	20%
Motor vehicles	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the asset is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Kitchen utensils, linen and uniforms

No depreciation is provided on the initial purchase of kitchen utensils, linen and uniforms which are capitalised at cost. The cost of subsequent replacement of these items is charged directly to the consolidated statement of profit or loss and other comprehensive income in the year in which such expenditure is incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases is charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets at "fair value through profit or loss" ("FVTPL"), "held-to-maturity investments", "available-for-sale financial assets" ("AFS") and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of "investments revaluation reserve". Where the AFS is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

However, interest calculated using the effective interest method is recognised in profit or loss.

For AFS 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 investments that are measured at cost less any identified impairment losses at the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and bills receivables, deposits and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30–180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through 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.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity 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.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities (including trade payables and other payables and accruals) are subsequently measured at amortised cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions and contingent liabilities (Continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Income tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the entity intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when services are provided;

(c) from the rental income, on a time proportion basis over the lease term; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, the exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. 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 exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using the exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(b) Impairment of property, plant and equipment

In accordance with HKAS 16 "Property, Plant and Equipment", the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

(c) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

(d) Operating lease commitments — the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(e) Fair value of investment property and buildings

Investment property and buildings are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property and buildings, the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income and building revaluation reserve. During the year ended 31 December 2014, deficit arising from revaluation of buildings of approximately HK$55,000 (2013: HK$154,000) was recognised in the building revaluation reserve. No fair value change on investment property was recognised for the year ended 31 December 2014 (2013: Nil). Further details are contained in notes 16 and 17 to the consolidated financial statements.

(f) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2014 was approximately HK$2,096,000 (2013: HK$2,106,000). The amount of unrecognised tax losses at 31 December 2014 was approximately HK$147,426,000 (2013: HK$106,664,000). Further details are contained in note 33 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(g) Estimation of fair value of derivative financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	The Group		The Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Financial assets — Loans and receivables				
Loan to a subsidiary	**—**	—	**282,184**	331,944
Trade and bills receivables	**53,797**	221,330	**—**	—
Financial assets included in deposits and other receivables	**20,673**	138,491	**—**	—
Amounts due from customers for contract work	**55,765**	6,725	**—**	—
Cash and cash equivalents	**252,882**	198,456	**202**	206
	383,117	565,002	**282,386**	332,150
Financial assets — Available-for-sale financial assets				
Available-for-sale investments	**500**	500	**—**	—
Financial liabilities — Financial liabilities at amortised cost				
Amounts due to subsidiaries	**—**	—	**69,964**	44,142
Trade payables	**70,105**	192,242	**—**	—
Financial liabilities included in other payables and accruals	**56,393**	58,267	**11**	391
Convertible bonds	**—**	56,172	**—**	56,172
	126,498	306,681	**69,975**	100,705
Financial liabilities — Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**—**	4,537	**—**	4,537

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, mainly comprise cash, short term deposits, trade and bills receivables, deposits and other receivables, trade payables and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Foreign currency risk management

The functional currency of the Company and its major subsidiaries in Hong Kong is HK$ in which most of the transactions are denominated. The functional currencies of those subsidiaries operating in the PRC is Renminbi ("RMB") in which most of their transactions are denominated. The Group is mainly exposed to foreign exchange risk in respect of exchange fluctuations of HK$ against RMB. The conversion of RMB into other currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities that are denominated in currencies other than the respective group entities functional currencies at the end of the reporting period are as follows:

	2014	2013
	HK$'000	HK$'000
Assets		
RMB	**45,601**	22
Liabilities		
RMB	**(32,148)**	(35,382)

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against the relevant foreign currency. 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 foreign exchange rate.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Foreign currency risk management (Continued)

	2014 **HK$'000**	2013 HK$'000
Impact in profit or loss		
RMB	**673**	1,768

There would be no material impact to the Group's other components of equity for the years ended 31 December 2014 and 2013.

The net effect of the Group's sensitivity to foreign currency risk was attributable to the Group's monetary assets and liabilities with exposure to foreign currency risk at the end of the reporting period.

(ii) Interest rate risk management

The Group and the Company have no significant interest-bearing assets and liabilities. The Group and the Company has no significant interest rate risk as at 31 December 2014 and 2013.

Credit risk

Most of the trade of the Group is on cash terms. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

As at 31 December 2014, 58% and 66% (2013: 68% and 99%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the new energy operations.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 98% (2013: 99%) of the total trade and bills receivables as at 31 December 2014.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debtors at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the consolidated financial statements.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equivalent to the carrying amounts of these instruments.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group places its cash deposits with major international banks in Hong Kong and the PRC. This investment policy limits the Group's exposure to concentrations of credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The maturity profile of the financial liabilities of the Group and the Company at the end of the reporting periods, based on the contractual undiscounted payments, were as follows:

The Group

	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to less than 2 years HK$'000	2 to less than 3 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2014						
Trade payables	**70,105**	**—**	**—**	**—**	**70,105**	**70,105**
Financial liabilities included in other payables and accruals	**56,393**	**—**	**—**	**—**	**56,393**	**56,393**
	126,498	**—**	**—**	**—**	**126,498**	**126,498**
At 31 December 2013						
Trade payables	192,242	—	—	—	192,242	192,242
Financial liabilities included in other payables and accruals	58,267	—	—	—	58,267	58,267
Convertible bonds	—	72,000	—	—	72,000	56,172
	250,509	72,000	—	—	322,509	306,681

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The Company

	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to less than 2 years HK$'000	2 to less than 3 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
At 31 December 2014						
Amounts due to subsidiaries	**—**	**—**	**69,964**	**—**	**69,964**	**69,964**
Financial liabilities included in other payables and accruals	**11**	**—**	**—**	**—**	**11**	**11**
	11	**—**	**69,964**	**—**	**69,975**	**69,975**
At 31 December 2013						
Amounts due to subsidiaries	—	—	44,142	—	44,142	44,142
Financial liabilities included in other payables and accruals	391	—	—	—	391	391
Convertible bonds	—	72,000	—	—	72,000	56,172
	391	72,000	44,142	—	116,533	100,705

Equity price risk

The Group has no significant exposed to equity price risk at the end of the reporting period.

(c) Fair value measurements

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

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

(ii) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Fair value measurements (Continued)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

	31 December 2014		31 December 2013	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liability				
Convertible bonds	**—**	**—**	56,172	64,493

As at 31 December 2014, the derivative financial instruments amounting to Nil (2013: approximately HK$4,537,000) are measured at fair value in Level 3 and the movement under the Level 3 fair value measurements during the year are as follow:

	Derivative financial instruments	
	2014 HK$'000	2013 HK$'000
At beginning of the year	**4,537**	76,452
Fair value gains recognised in the consolidated statement of profit or loss	**(1,471)**	(40,833)
Conversion of convertible bonds	**—**	(31,082)
Redemptions of convertible bonds	**(3,066)**	—
At the end of the year	**—**	4,537

The fair values of the embedded derivatives in the convertible bonds at redemption date and 31 December 2013 are calculated using the Binomial Pricing Model. The inputs into the model are as follows:

	26 May 2014	20 February 2014	31 December 2013
Expected volatility	**62.13%**	59.34%	60.14%
Expected life	**0.26 years**	0.53 years	0.67 years
Expected dividend yield	**0%**	0%	0%
Risk-free rate	**0.11%**	0.16%	0.15%
Share price	**HK$1.13**	HK$1.14	HK$1.23

The Binomial Pricing Model requires the input of highly subjective assumptions, including the share price, therefore the changes in subjective input assumptions can materially affect the fair value estimates.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Fair value measurements (Continued)

For the year ended 31 December 2013, increase in share price of the Company by 10% would increase the fair value of embedded derivatives in the convertible bonds by approximately HK$7,380,000. Decrease in share price by 10% would decrease the fair value of embedded derivatives in the convertible bonds by approximately HK$3,839,000.

Fair value gains of approximately HK$1,471,000 (2013: HK$41,334,000) included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 relate to derivative financial instruments held at 31 December 2013.

There is no transfer into and out of Level 3 for the years ended 31 December 2014 and 2013.

(d) Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

Gearing ratio

The Group monitors capital using gearing ratio, which is total debts divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios at the end of the reporting periods were as follows:

	2014 **HK$'000**	2013 HK$'000
Debt#	—	56,172
Total equity	**397,474**	457,142
Gearing ratio	**N/A**	0.12

Total debt comprises convertible bonds as detailed in note 31.

The Group monitors its current and expected cash flow requirements to ensure it maintains sufficient cash and cash equivalents and has available funding to meet its working capital requirement.

6. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- the restaurant segment comprises the Group's restaurant operations;
- the property segment comprises the Group's property investments;
- the hotel segment comprises the Group's hotel operations;
- the new energy segment comprises the Group's new energy operations; and
- the all other segments comprise the Group's corporate income and expense items.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, dividend income, fair value gains on derivative financial instruments, loss on early redemptions of convertible bonds, loss on disposal of a subsidiary, share of results of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude available-for-sale investment, goodwill, interest in an associate, deferred tax assets, tax prepayment, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Except for the Group's revenue from external customers of approximately HK$84,055,000 and HK$2,446,000 (2013: HK$289,858,000 and HK$5,743,000), which was derived from the Group's operations in the PRC and overseas respectively, all of the Group's revenue from external customers is derived from the Group's operations in Hong Kong. Except for the interest in an associate amounted to approximately HK$68,162,000 as at 31 December 2014 (2013: HK$76,958,000) and property, plant and equipment amounted to approximately HK$5,062,000 as at 31 December 2014 (2013: HK$5,843,000), no non-current assets of the Group are located outside Hong Kong (2013: Nil).

6. SEGMENT INFORMATION (CONTINUED)

Included in revenue arising from new energy operations of approximately HK$59,275,000 and HK$22,572,000 (2013: HK$175,780,000 and HK$86,570,000) arose from the Group's first and second largest customers. No other single customers contributed 10% or more to the Group's revenue for both the years ended 31 December 2014 and 2013.

	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	New energy HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 December 2014						
Segment revenue:						
Sales to external customers	208,732	—	27,290	86,501	—	322,523
Intersegment sales	—	23,711	—	—	9,699	33,410
Other revenue and gains	1,378	—	1,457	481	196	3,512
Intersegment other revenue and gains	—	—	—	—	—	—
	210,110	23,711	28,747	86,982	9,895	359,445
Reconciliation:						
Elimination of intersegment sales						(33,410)
Elimination of intersegment other revenue and gains						—
Total						326,035
Segment results	(15,663)	(753)	7,636	(34,236)	(16,222)	(59,238)
Reconciliation:						
Interest income and unallocated gains						569
Finance costs						(7,025)
Fair value gains on derivative financial instruments, net						1,471
Loss on early redemption of convertible bonds						(5,737)
Share of result of an associate, net						5,958
Loss before taxation						(64,002)
Income tax credit						6,807
Loss for the year						(57,195)

6. SEGMENT INFORMATION (CONTINUED)

	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	New energy HK$'000	All other segments HK$'000	Total HK$'000
At 31 December 2014						
Segment assets	36,372	53,861	5,717	255,169	106,879	457,998
Reconciliation:						
Unallocated assets						73,812
Total assets						531,810
Segment liabilities	16,218	52	5,171	107,015	4,718	133,174
Reconciliation:						
Unallocated liabilities						1,162
Total liabilities						134,336
Other segment information						
Depreciation	3,661	303	643	1,793	428	6,828
Recognition of prepaid land lease payments	—	101	—	—	—	101
Additions to property, plant and equipment	926	1,155	724	1,067	281	4,153
Written off of property, plant and equipment	1,148	—	—	32	4	1,184
Gain on disposal of property, plant and equipment	—	—	—	—	6	6

Included in the unallocated assets, there are interest in an associate amounted to approximately HK$68,162,000. Details of the investment in an associate were set out in note 22. Included in the unallocated liabilities, there are tax payable amounted to approximately HK$1,162,000.

6. SEGMENT INFORMATION (CONTINUED)

	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	New energy HK$'000	All other segments HK$'000	Total HK$'000
Year ended 31 December 2013						
Segment revenue:						
Sales to external customers	234,637	—	26,640	295,600	—	556,877
Intersegment sales	—	17,057	—	—	10,067	27,124
Other revenue and gains	539	—	1,470	63	61	2,133
Intersegment other revenue and gains	—	—	—	—	—	—
	235,176	17,057	28,110	295,663	10,128	586,134
Reconciliation:						
Elimination of intersegment sales						(27,124)
Elimination of intersegment other revenue and gains						—
Total						559,010
Segment results	(6,427)	(783)	9,112	31,819	(23,711)	10,010
Reconciliation:						
Interest income and unallocated gains						764
Finance costs						(19,596)
Fair value gains on derivative financial instruments, net						40,833
Loss on disposal of a subsidiary						(75,157)
Share of results of associates, net						15,515
Loss before taxation						(27,631)
Income tax expense						(9,017)
Loss for the year						(36,648)

6. SEGMENT INFORMATION (CONTINUED)

	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	New energy HK$'000	All other segments HK$'000	Total HK$'000
At 31 December 2013						
Segment assets	47,870	45,568	5,845	377,492	222,636	699,411
Reconciliation:						
Unallocated assets						81,367
Total assets						780,778
Segment liabilities	17,409	127	5,939	227,674	2,128	253,277
Reconciliation:						
Unallocated liabilities						70,359
Total liabilities						323,636
Other segment information						
Depreciation	5,756	75	751	1,495	565	8,642
Recognition of prepaid land lease payments	—	101	—	—	—	101
Additions to property, plant and equipment	7,012	—	—	5,036	109	12,157
Written off of property, plant and equipment	1,051	—	—	2	—	1,053

Included in the unallocated assets, there are interest in an associate amounted to approximately HK$76,958,000 arising from the investment in an associate. Details of the investment in an associate were set out in note 22. Included in the unallocated liabilities, there are convertible bonds and derivative financial instruments amounted to approximately HK$56,172,000 and HK$4,537,000 respectively.

7. REVENUE, OTHER REVENUE AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, revenue received and receivable from engineering, procurement and construction works and hotel operations during the year.

7. REVENUE, OTHER REVENUE AND GAINS (CONTINUED)

An analysis of the Group's revenue, other revenue and gains is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Revenue:		
Receipts from restaurant operations	**208,732**	234,637
Hotel operations	**27,290**	26,640
Sales of goods	**6,423**	196,652
Service income	**4,960**	19,558
Construction contract revenue	**75,118**	79,390
	322,523	556,877
Other revenue and gains:		
Bank interest income	**491**	764
Exchange gain, net	**445**	24
Others	**3,145**	2,109
	4,081	2,897

8. FINANCE COSTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Imputed interest on convertible bonds (note 31)	**7,025**	19,510
Interest on other borrowings (note 40(a))	**—**	86
	7,025	19,596

9. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	The Group	
	2014 **HK$'000**	2013 HK$'000
Minimum lease payments under operating leases:		
Land and buildings	**46,060**	44,497
Office equipment*	**168**	170
	46,228	44,667
Staff costs (including directors' and chief executive's remuneration (note 10)):		
Wages, salaries and bonuses	**88,777**	92,405
Provision for long service payments, net (note 30)	**3,528**	933
Pension scheme contributions	**3,125**	5,149
Total staff costs	**95,430**	98,487
Recognition of prepaid land lease payments (note 18)*	**101**	101
Written off of property, plant and equipment (note 16)*	**1,184**	1,053
Auditors' remuneration*	**1,024**	960
Gain on disposal of property, plant and equipment	**(6)**	—
Loss on early redemption of convertible bonds*	**5,737**	—
Loss on disposal of a subsidiary*	**—**	75,157

* *Items included in other operating expenses*

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), is as follows:

	The Group	
	2014 **HK$'000**	2013 HK$'000
Fees	**601**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**3,804**	3,546
Pension scheme contributions	**46**	51
	4,451	4,197

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Mr. Chan Ka Ling, Edmond	**150**	150
Mr. Li Baolin (appointed on 28 February 2014)	**125**	—
Mr. Wang Jimin (appointed on 28 February 2014)	**125**	—
Mr. Chen Ying (appointed on 10 July 2014)	**72**	—
Mr. Chang Nan (resigned on 10 July 2014)	**79**	150
Dr. Dai Jinping (resigned on 28 February 2014)	**25**	150
Mr. Yu Lei (appointed on 9 March 2012 and resigned on 28 February 2014)	**25**	150
	601	600

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2014 (2013: Nil).

(b) Executive directors and non-executive director

	The Group			
	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Year ended 31 December 2014				
Executive directors:				
Mr. Ai Yilun *(chairman)*	—	—	—	—
Mr. Chan Shu Kit *(vice-chairman)*	—	**1,008**	**3**	**1,011**
Mr. Han Naishan	—	—	—	—
Mr. Gao Yongping	—	—	—	—
Mr. Fu Zhigang *(chief executive officer)*	—	**285**	—	**285**
Ms. Jian Qing	—	**842**	**17**	**859**
Mr. Chung Chi Shing	—	**1,163**	**17**	**1,180**
Mr. Tang Chuanqing (appointed on 10 July 2014)	—	—	—	—
Mr. Song Limin (resigned on 10 July 2014)	—	**506**	**9**	**515**
	—	**3,804**	**46**	**3,850**

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive director (Continued)

	The Group			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2013				
Executive directors:				
Mr. Chan Shu Kit *(vice-chairman)*	—	1,008	15	1,023
Mr. Lei Jian (resigned on 27 December 2013)	—	—	—	—
Mr. Han Naishan	—	—	—	—
Mr. Guo Shuwei (resigned on 27 December 2013)	—	—	—	—
Mr. Chung Chi Shing	—	960	15	975
Ms. Jian Qing	—	720	15	735
Mr. Song Limin *(chief executive officer)*	—	858	6	864
Mr. Ai Yilun (appointed on 27 December 2013)	—	—	—	—
Mr. Fu Zhigang (appointed on 27 December 2013)	—	—	—	—
Mr. Gao Yongping (appointed on 27 December 2013)	—	—	—	—
	—	3,546	51	3,597
Non-executive director:				
Mr. Dong Yuchuan (resigned on 27 December 2013) *(chairman)*	—	—	—	—

There was no arrangement under which a director and the chief executive officer waived or agreed to waive any remuneration during the year ended 31 December 2014 (2013: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration are set out in note 10 above.

The number of remaining non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**1**	1

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the five highest paid individuals or directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. PRC subsidiaries are subject to PRC Corporate Income Tax at the rate of 25% (2013: 25%).

	The Group	
	2014 **HK$'000**	2013 HK$'000
Current tax for the year		
Hong Kong	**1,277**	1,399
Other than Hong Kong	**—**	8,953
Over provision in respect of previous years		
Hong Kong	**(137)**	(97)
Other than Hong Kong	**(7,752)**	—
Deferred tax (note 33)	**(195)**	(1,238)
Tax (credit)/charge for the year	**(6,807)**	9,017

12. TAXATION (CONTINUED)

A reconciliation between tax charge and accounting loss at applicable tax rate is set out below:

	The Group			
	2014		2013	
	HK$'000	**%**	HK$'000	%
Loss before taxation	**(64,002)**		(27,631)	
Tax at the statutory tax rate applicable to profits in the respective countries	**(13,237)**	**20.7**	(1,515)	5.5
Share of results of associates	**(983)**	**1.5**	(2,431)	8.8
Income not subject to tax	**(728)**	**1.1**	(7,976)	28.8
Expenses not deductible for tax	**14,340**	**(22.4)**	20,810	(75.3)
Tax losses utilised from previous years	**(80)**	**0.1**	(88)	0.3
Tax loss not recognised	**2,804**	**(4.3)**	2,981	(10.8)
Temporary differences not recognised	**(1,034)**	**1.6**	(2,667)	9.7
Over provision in respect of previous years	**(7,889)**	**12.3**	(97)	0.4
Tax (credit)/charge for the year	**(6,807)**	**10.6**	9,017	(32.6)

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2014 included a loss of approximately HK$14,497,000 (2013: HK$50,227,000) which has been dealt with in the financial statements of the Company (note 35(b)).

14. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2014 (2013: Nil).

15. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2014 **HK$'000**	2013 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of the basic and diluted loss per share calculation	**(40,931)**	(45,536)

	Number of shares	
	2014	2013
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic and diluted loss per share calculation	**1,101,665,620**	1,093,665,620

The Company's zero coupon convertible bonds issued on 1 September 2011 were not included in the calculation of diluted loss per share for the years ended 31 December 2014 and 2013 because the effects of the aforesaid convertible bonds were anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Furniture and fixtures HK$'000	Air-conditioning plant HK$'000	Electrical appliances HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Kitchen utensils, linen and uniforms HK$'000	Total HK$'000
Cost or valuation:								
At 1 January 2013	3,902	47,036	7,166	10,811	651	1,251	2,517	73,334
Additions	—	6,713	590	2,918	100	1,769	67	12,157
Written off	—	(3,961)	(823)	(1,364)	—	—	(581)	(6,729)
Deficit on revaluation	(139)	—	—	—	—	—	—	(139)
At 31 December 2013 and 1 January 2014	3,763	49,788	6,933	12,365	751	3,020	2,003	78,623
Additions	—	1,570	445	1,133	29	976	—	4,153
Written off/disposal	—	(9,120)	(2,779)	(1,026)	(6)	(134)	(778)	(13,843)
Exchange alignments	—	(8)	—	(12)	—	(11)	—	(31)
Deficit on revaluation	(127)	—	—	—	—	—	—	(127)
At 31 December 2014	3,636	42,230	4,599	12,460	774	3,851	1,225	68,775
Accumulated depreciation and impairment:								
At 1 January 2013	—	34,737	5,476	9,228	514	614	—	50,569
Charge for the year	75	6,536	722	1,188	68	419	—	9,008
Written off	—	(3,582)	(730)	(1,364)	—	—	—	(5,676)
Exchange alignments	—	8	—	3	—	3	—	14
Deficit on revaluation	(75)	—	—	—	—	—	—	(75)
At 31 December 2013 and 1 January 2014	—	37,699	5,468	9,055	582	1,036	—	53,840
Charge for the year	72	4,259	552	1,124	67	754	—	6,828
Written off/disposal	—	(8,910)	(2,619)	(994)	(2)	(134)	—	(12,659)
Exchange alignments	—	(4)	—	(2)	—	(2)	—	(8)
Deficit on revaluation	(72)	—	—	—	—	—	—	(72)
At 31 December 2014	—	33,044	3,401	9,183	647	1,654	—	47,929
Net book value:								
At 31 December 2014	3,636	9,186	1,198	3,277	127	2,197	1,225	20,846
At 31 December 2013	3,763	12,089	1,465	3,310	169	1,984	2,003	24,783
Analysis of cost or valuation:								
31 December 2014								
At cost	—	42,230	4,599	12,460	774	3,851	1,225	65,139
At valuation	3,636	—	—	—	—	—	—	3,636
	3,636	42,230	4,599	12,460	774	3,851	1,225	68,775
31 December 2013								
At cost	—	49,788	6,933	12,365	751	3,020	2,003	74,860
At valuation	3,763	—	—	—	—	—	—	3,763
	3,763	49,788	6,933	12,365	751	3,020	2,003	78,623

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charged for the year with amounts of approximately HK$6,828,000 and HK$Nil (2013: HK$8,642,000 and HK$366,000) were included in "depreciation" and "construction costs" in the consolidated statement of profit or loss and other comprehensive income respectively.

The recurring fair value measurement of the Group's buildings are categorised as Level 2 of fair value hierarchy. Details of fair value measurement were set out in note 17.

There was no transfer into or out of Level 2 during the years ended 31 December 2014 and 2013.

Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$2,457,000 at 31 December 2014 (2013: HK$2,539,000).

During the year, deficit arising from revaluation of buildings of approximately HK$55,000 (2013: HK$154,000) was recognised in the building revaluation reserve.

17. INVESTMENT PROPERTY

	The Group	
	2014 **HK$'000**	2013 HK$'000
At fair value		
Completed investment property		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	**38,000**	38,000

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

Property and buildings revaluation as at 31 December 2014 and 2013 were carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group, based on the highest and best use approach. The valuer has recent relevant experience in the valuation of similar properties in the relevant locations.

The valuation reports for the investment property and buildings as at 31 December 2014 are signed by a director of Asset Appraisal Limited, who is a member of The Hong Kong Institute of Surveyors. The valuations were performed in accordance with "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors.

17. INVESTMENT PROPERTY (CONTINUED)

The carrying amount of investment property shown above comprises:

	The Group	
	2014	2013
	HK$'000	HK$'000
Property in Hong Kong:		
Medium-term leases	**38,000**	38,000

The fair value of investment property and buildings located in Hong Kong are determined using comparison method by reference to recent selling prices of comparable properties on a price per square foot basis which are adjusted to reflect the conditions and locations of the related properties.

The recurring fair value measurement of the Group's investment property is categorised as Level 2 of fair value hierarchy.

There was no transfer into or out of Level 2 during the years ended 31 December 2014 and 2013.

18. PREPAID LAND LEASE PAYMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at beginning of the year	**6,897**	6,998
Amortised for the year	**(101)**	(101)
Carrying amount at the end of the year	**6,796**	6,897
Current portion included in prepayments	**(101)**	(101)
Non-current portion	**6,695**	6,796

The prepaid land lease payments are situated in Hong Kong and are held under the following lease terms:

	The Group	
	2014	2013
	HK$'000	HK$'000
Long term leases	**4,879**	4,922
Medium term leases	**1,816**	1,874
	6,695	6,796

19. AVAILABLE-FOR-SALE INVESTMENT

	The Group	
	2014	2013
	HK$'000	HK$'000
Unlisted equity investment, at cost	**500**	500

As at 31 December 2014, the unlisted equity investment with a carrying amount of HK$500,000 (2013: HK$500,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

20. GOODWILL

Movement of goodwill during the year is as follows:

The Group

	HK$'000
Cost:	
At 1 January 2013	105,440
Disposal of a subsidiary (note 36)	(105,440)
At 31 December 2013, 1 January 2014 and 31 December 2014	—
Impairment:	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	—
Carrying amount:	
At 31 December 2014	—
At 31 December 2013	—

Upon completion of the disposal of East King International Enterprises Limited ("East King") on 24 December 2013, the assets and liabilities of East King, together with the goodwill, were ceased to be consolidated to the Group's consolidated financial statements. Details of the disposal were set out in note 36.

21. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**438,075**	438,075
Less: Provision for impairment loss of investment cost (note (i))	**(241,376)**	(241,376)
	196,699	196,699
Loan to a subsidiary (note (ii))	**282,184**	331,944
	478,883	528,643
Amounts due to subsidiaries (note (ii))	**69,964**	44,142

Notes:

(i) Impairment loss was recognised for certain unlisted investments because the relevant subsidiaries had either suffered losses for years or ceased operations.

(ii) The balances with the subsidiaries are unsecured, interest-free and are expected to be repaid after one year.

21. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries at 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation and operations@	Nominal value of issued capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
First Charm Development Limited	Hong Kong	HK$100*	—	100%	Property investment
Golden Target (Hong Kong) Limited	Hong Kong	HK$1*	—	100%	Hotel operations
Grandward Limited	Hong Kong	HK$100* HK$2#	—	100%	Property holding
Hurray Enterprises Limited	British Virgin Islands	US$1*	100%	—	Investment holding
Jade Terrace Restaurant (Causeway Bay) Limited	Hong Kong	HK$100*	—	100%	Restaurant operations
Newfame Development Limited	Hong Kong	HK$1*	—	100%	Property development
Real Bright Asia Limited	Hong Kong	HK$100*	—	60%	Restaurant operations
Tack Hsin (BVI) Holdings Limited	British Virgin Islands/ Hong Kong	HK$17,763,202*	100%	—	Investment holding
Tack Hsin Restaurant (London) Limited	Hong Kong	HK$100* HK$2#	—	100%	Restaurant operations
Tack Hsin Restaurant (Mongkok) Limited	Hong Kong	HK$100* HK$680,000#	—	100%	Restaurant operations
Tack Hsin Restaurant (Peninsula) Limited	Hong Kong	HK$100* HK$2,380,000#	—	100%	Restaurant operations
Top Excel Investment Limited	Hong Kong	HK$10,000*	—	51%	Restaurant operations
Vastpro Developments Limited	Hong Kong	HK$2*	—	100%	Property holding
中核二三(南京)能源發展有限公司	PRC	RMB50,000,000	—	51%	New energy operations
南京中核二三能源工程有限公司	PRC	RMB40,000,000	—	51%	New energy operations

@ *Unless otherwise stated, the place of operations is the place of incorporation.*

* *Ordinary shares*

Non-voting deferred shares

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

The directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that is material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

22. INTEREST IN AN ASSOCIATE

	The Group	
	2014 **HK$'000**	2013 HK$'000
Cost of investment in an associate	**61,966**	61,966
Share of post-acquisition profit and other comprehensive income, net of dividends received	**6,196**	14,992
	68,162	76,958

Notes:

(a) Included in the cost of investment as at 31 December 2014 is goodwill arising on acquisition of interest in an associate of approximately HK$23,216,000 (2013: HK$23,216,000).

(b) Particulars of the Group's interest in an associate as at 31 December 2014 are as follows:

Company name	**Place and date of registration and operation**	**Issued and paid-in/ registered capital**	**Percentage of equity attributable to the Group**	**Principal activities**
深圳中核二三核電檢修有限公司 (transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.)	The PRC/ 9 January 1988	RMB36,700,000	Indirect: 26.5%	Inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction work for non-nuclear power companies

The summarised financial information in respect of the Group's material associate, Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd., is set out below.

22. INTEREST IN AN ASSOCIATE (CONTINUED)

Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.

	2014	2013
	HK$'000	HK$'000
Non-current assets	**77,228**	77,226
Current assets	**115,534**	169,148
Current liabilities	**(23,155)**	(43,574)
Net assets	**169,607**	202,800
Revenue	**385,200**	331,669
Profit for the year	**22,484**	58,310
Other comprehensive loss for the year	**(7,155)**	(794)
Total comprehensive income for the year	**15,329**	57,516
Group's share of result of the associate for the year	**5,958**	15,452
Group's share of other comprehensive loss of the associate for the year	**(1,885)**	(211)
Dividends received from the associate during the year	**12,869**	777

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014	2013
	HK$'000	HK$'000
Net assets of the associate	**169,607**	202,800
Interest held by the Group	**26.5%**	26.5%
Interest in the associate	**44,946**	53,742
Goodwill	**23,216**	23,216
Carrying amount of the Group's interest in the associate	**68,162**	76,958

Note:

The information above reflects the amounts presented in the financial statements of the associate which were prepared in accordance with HKFRSs adjusted for the differences arising from accounting policies between the Group and the associate.

22. INTEREST IN AN ASSOCIATE (CONTINUED)

Financial information of an associate that is not individually material:

	2014 **HK$'000**	2013 HK$'000
Group's share of result for the year	**—**	63
Group's share of other comprehensive income for the year	**—**	2,017
Group's share of total comprehensive income for the year	**—**	2,080
Group's interest in this associate	**—**	—

23. INVENTORIES

	2014 **HK$'000**	2013 HK$'000
Raw materials	**6,982**	10,900
Finished goods	**1,278**	48,133
	8,260	59,033

24. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of 30–180 days with its customers for new energy operations depending on the customers' creditworthiness and the length of business relationship with the customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Company.

The Group's trading terms with its customers in restaurant and hotel operations are mainly by cash and credit card settlement, except for certain well-established customers where the terms vary with these customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

	The Group	
	2014 **HK$'000**	2013 HK$'000
Trade receivables	**46,359**	138,256
Bills receivables	**7,438**	83,074
	53,797	221,330

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aged analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date, is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
0–90 days	**38,445**	221,307
91–180 days	**9,833**	23
181–365 days	**5,519**	—
	53,797	221,330

The aged analysis of the trade and bills receivables that are not considered to be impaired:

	The Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**53,797**	221,330

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

Bills receivables are due within six months from date of billing.

Included in trade and bills receivables was an amount of approximately HK$45,634,000 (2013: HK$135,899,000) which represents amounts due from related parties of the Company arising from new energy operations.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2014	2013
	HK$'000	HK$'000
Prepayments	**1,080**	5,797
Deposits	**16,662**	18,074
Other receivables	**4,011**	120,417
	21,753	144,288

Included in other receivables as at 31 December 2013 of HK$117,000,000 was the remaining consideration receivable from the purchaser of East King upon disposal of East King. The amount has been settled during the year ended 31 December 2014. Details of the disposal of East King were set out in note 36.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

26. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	The Group	
	2014	2013
	HK$'000	HK$'000
Contract cost incurred plus recognised profits	**66,452**	155,465
Less: progress billing	**(10,687)**	(148,740)
	55,765	6,725

As at 31 December 2014, retention held by customers for contract work amounted to approximately HK$2,174,000 (2013: HK$399,000).

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**137,282**	170,456	**202**	206
Time deposits	**115,600**	28,000	**—**	—
	252,882	198,456	**202**	206

At 31 December 2014, cash and cash equivalents and time deposits with banks in the PRC amounted to approximately HK$131,777,000 (2013: HK$64,874,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

28. TRADE PAYABLES

An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
0–90 days	**41,804**	180,166
91–180 days	**28,301**	12,076
	70,105	192,242

The trade payables are non-interest bearing and are normally settled on 30-day term.

As at 31 December 2013, included in the trade payables was an amount of approximately HK$4,585,000 which represents an amount due to a related party of the Company arising from new energy operations. The amount has been settled during the year ended 31 December 2014.

29. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred credit on operating lease	**4,542**	6,281	**—**	—
Receipts in advance	**2,144**	190	**—**	—
Other payables	**31,898**	32,084	**11**	391
Accruals	**19,953**	19,902	**—**	—
	58,537	58,457	**11**	391

Included in other payables of RMB24,500,000 (2013: RMB24,500,000) represent the non-interest bearing shareholders' loan from two non-controlling interest shareholders of Guoxin Energy Limited, a 51% owned subsidiary of the Company. Details of the shareholders' loan were set out in the Company's announcement dated 6 January 2013.

30. PROVISION FOR LONG SERVICE PAYMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	**1,928**	2,249
Increase for the year	**3,528**	933
Amounts utilised during the year	**(2,054)**	(1,254)
At the end of the year	**3,402**	1,928

The Group provides for probable future long service payments expected to be made to employees under the Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of the reporting period.

31. CONVERTIBLE BONDS

The convertible bonds issued have been split as to the embedded derivative and the liability components. The following tables summarise the movements in the liability and derivative components of the Group's and the Company's convertible bonds during the year:

	Convertible Bonds
	HK$'000 (note)
Liability component	
At 1 January 2013	64,480
Imputed interest expenses (note 8)	19,510
Conversion of convertible bonds	(27,818)
At 31 December 2013 and 1 January 2014	56,172
Imputed interest expenses (note 8)	7,025
Redemptions of convertible bonds	(63,197)
At 31 December 2014	—
Derivative component	
At 1 January 2013	76,452
Fair value gains on derivative financial instruments	(40,833)
Conversion of convertible bonds	(31,082)
At 31 December 2013 and 1 January 2014	4,537
Fair value gains on derivative financial instruments	(1,471)
Redemptions of convertible bonds	(3,066)
At 31 December 2014	—

31. CONVERTIBLE BONDS (CONTINUED)

Note:

On 1 September 2011, the Company issued zero coupon convertible bonds in the principal amount of HK$120,000,000 (the "Convertible Bonds") to an independent third party as part of consideration for acquisition of subsidiaries. The Convertible Bonds are convertible at the option of the bondholder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$1.20 per share from the end of the first anniversary period from the issue date and up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds not converted, cancelled, purchased or otherwise acquired will be redeemed by the Company on 1 September 2014.

The conversion option of the Convertible Bonds exhibits characteristics of an embedded derivative and is separated from the liability components. On initial recognition, the embedded derivative component of the convertible bonds is measured at fair value and presented as derivative financial instruments. Any excess of proceeds over the amount initially recognised as the embedded derivative component is recognised as the liability component. At the end of each reporting period, the embedded derivative component is remeasured and the change in fair value of that component is recognised in the consolidated statement of profit or loss.

During the year ended 31 December 2013, the Convertible Bonds at the principal amount of HK$48,000,000 was converted into ordinary shares of the Company.

On 20 February 2014 and 26 May 2014, the Company made early redemptions of the outstanding Convertible Bonds at the total principal amount of HK$72,000,000 with an aggregate consideration of HK$72,000,000 and incurred a loss on early redemption of approximately HK$5,737,000.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group and the Company	
	2014 **HK$'000**	2013 HK$'000
Embedded derivatives of convertible bonds (note 31)	—	4,537

33. DEFERRED TAXATION

The Group

The following is the major deferred tax assets recognised (liabilities provided) by the Group and the movement thereon during the current and prior reporting periods.

	Losses available for offsetting against future taxable profits HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2013	3,210	(888)	2,322
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (note 12)	(1,104)	2,342	1,238
At 31 December 2013 and 1 January 2014	2,106	1,454	3,560
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (note 12)	(10)	205	195
At 31 December 2014	2,096	1,659	3,755

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	The Group	
	2014 HK$'000	2013 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3,755**	3,560
Net deferred tax liabilities recognised in the consolidated statement of financial position	**—**	—

Under the Corporate Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$2,778,000 (2013: HK$26,859,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group had tax losses arising in Hong Kong of approximately HK$147,426,000 (2013: HK$106,556,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Unused tax assets of approximately HK$24,441,000 (2013: HK$108,000) arising in the PRC subsidiaries of the Company will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL

Ordinary shares

	Par value HK$	Number of shares '000	Share capital HK$'000
Authorised:			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	0.10	5,000,000	500,000
Issued and fully paid:			
At 1 January 2013		1,061,666	106,166
Issue of shares upon conversion of convertible bonds (note (a))	0.10	40,000	4,000
At 31 December 2013, 1 January 2014 and 31 December 2014		1,101,666	110,166

Note:

(a) In March 2013, the Convertible Bonds were partly converted into ordinary shares of the Company at conversion price of HK$1.20 per share, resulting in the issuance of 40,000,000 ordinary shares of the Company.

35. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the consolidated financial statements.

Building revaluation reserve

The building revaluation reserve has been set up and is dealt with in accordance with the accounting policies of "Property, plant and equipment and depreciation" as set out in Note 16.

35. RESERVES (CONTINUED)

(a) The Group (Continued)

Exchange reserve

Exchange difference arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve.

Statutory reserve

The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

(b) The Company

	Share premium account HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2013	1,259,463	203,630	(1,154,325)	308,768
Total comprehensive loss for the year	—	—	(50,227)	(50,227)
Issue of shares upon conversion of convertible bonds	54,900	—	—	54,900
At 31 December 2013 and 1 January 2014	1,314,363	203,630	(1,204,552)	313,441
Total comprehensive loss for the year	—	—	(14,497)	(14,497)
At 31 December 2014	1,314,363	203,630	(1,219,049)	298,944

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended).

The Company's contributed surplus represented the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus if to do so would not render the Company's ability to pay its liabilities as they become due or the realisable value of its assets would not thereby become less than the aggregate of its liabilities and its issued share capital and share premium.

36. DISPOSAL OF A SUBSIDIARY

Well Link Capital Limited, a wholly-owned subsidiary of the Company and East Resources Investment Limited ("East Resources") entered into a conditional sale and purchase agreement pursuant to which East Resources agreed to purchase a total of 10,000 shares in East King, being the entire issued share capital of East King, at the consideration of HK$132,000,000 (the "Disposal"). East King holds 25% equity interest in 江蘇中核利伯特股份有限公司 and it is principally engaged in the manufacture and sale of pipes and related equipment for uses by chemical plants in the PRC and overseas. Details of the Disposal were disclosed in the announcements of the Company dated 23 and 24 December 2013.

The Disposal was completed on 24 December 2013. Upon completion, East King ceased to be a subsidiary of the Group and its results, assets and liabilities ceased to be consolidated with those of the Group.

The net assets of the East King at the date of disposal were as follows:

	HK$'000
Interest in an associate	104,255
Cash and cash equivalents	48
Net identifiable assets and liabilities	104,303
Release of exchange reserve	(2,586)
Goodwill	105,440
Loss on disposal of a subsidiary	(75,157)
Total consideration	132,000
Satisfied by:	
Cash consideration received	15,000
Other receivables (note 25)	117,000
	132,000
Net cash inflow arising on disposal:	
Cash consideration received	15,000
Cash and cash equivalents disposed of	(48)
	14,952

The loss on disposal of a subsidiary was included in "other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

37. CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities as at 31 December 2014 (2013: Nil).

38. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain office premises, restaurant premises and office equipment under operating lease arrangements, with remaining lease terms ranging from one month to four years.

At 31 December 2014 and 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**43,940**	46,782
In the second to fifth years, inclusive	**35,121**	57,653
	79,061	104,435

In addition to the minimum lease payments described above, the Group has commitments to pay contingent rents based on a proportion of turnover for certain leased restaurant premises. Contingent rents are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

39. CAPITAL COMMITMENT

The Group and the Company had no capital commitment as at 31 December 2014 (2013: Nil).

40. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Transactions with related parties

	2014 HK$'000	2013 HK$'000
Transaction with a director:		
Rental expenses paid (note(i))	**108**	96
Transaction with a company under common control of a shareholder of the Company/the immediate holding company of a shareholder of the Company*:		
Construction contract cost incurred (note (ii))	**2,311**	5,273
Loan interest expenses (note (iii))	—	86
Sales of goods (note (iv))	—	97,004
Supply of services (note (iv))	—	3,291

* *During the year ended 31 December 2014, 中國核工業二三建設有限公司 (transliterated as "China Nuclear Industry 23 Construction Company Limited") ("CNI23"), the immediate holding company of a shareholder of the Company has become a company under common control of a shareholder of the Company after the change in shareholding structure of controlling shareholder of the Company. Details of the change in shareholding structure of controlling shareholder of the Company were set out in the Company's announcement dated 26 June 2014.*

Notes:

(i) The Group paid rental expenses to a director of the Company. The rentals were determined with reference to open market rentals.

(ii) The Group incurred construction contract cost to CNI23. The construction contract cost incurred was determined with reference to the contract price.

(iii) During the year 2013, the Group borrowed from CNI23 with the sum of RMB3,000,000 which bearing interest rate of 5.6% per annum. The loan interest was charged at normal market interest rate with reference to the loan agreement.

(iv) The Group generated revenue from 中國核工業二三建設有限公司華東分公司 (transliterated as "China Nuclear Industry 23 Construction Company Limited Huadong Branch"), a branch of CNI23. The revenue generated from sale of goods and supply of services were determined with reference to the contract price.

40. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel of the Group:

	2014 HK$'000	2013 HK$'000
Short term employee benefits	**6,390**	5,713
Pension scheme contribution	**96**	126
Total compensation paid to key management personnel	**6,486**	5,839

41. EVENTS AFTER THE REPORTING PERIOD

(a) Continuing connected transactions in respect of technical consultancy and project management services

On 2 January 2015, 南京中核二三能源工程有限公司 (transliterated as Nanjing CNI23 Energy Engineering Company Limited) ("CNI23 Energy") entered into an agreement with 中國核工業二三建設有限公司華東分公司 (transliterated as China Nuclear Industry 23 Construction Company Limited Huadong Branch) ("CNI23 Huadong Branch"), pursuant to which CNI23 Huadong Branch has agreed to engage CNI23 Energy as its contractor for the provision of engineering design, technical consultancy and project management services in respect of the technical consultancy services projects and various project management services projects including 揚州經濟開發區10MWp光伏電站項目可研及8MW施工圖設計, 中廣核青海省海南州共和縣離網光伏電站項目, 滄州市南大港管理區中科索能光伏發電有限公司40MW生態農業光伏發電項目 and 白溝屋頂用戶光伏發電項目(transliterated as Yangzhou Economic Zone 10MWp Solar Power Station Project and 8MW engineering design, Zhongguanghe Qinghai Province Hainanzhou Gonghe County Solar Power Station Project, Cangzhou City Nandagang Management District Zhongke Suoneng Solar Power Company Limited 40MW Agricultural Solar Power Project and the Baigou Rooftop Solar Power Project) (the "Huadong Technical Consultancy Agreement").

The total contract value of the Huadong Technical Consultancy Agreement is RMB16,400,000 (equivalent to approximately HK$20,759,000). Details of the continuing connected transaction were set out in the Company's announcement dated 2 January 2015.

41. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) Continuing connected transactions in respect of the remaining GCL Solar Projects

As set out in the Company's announcements dated 7 November 2014 and 18 November 2014, CNI23 Energy entered into the agreements with 黎城協鑫光伏電力有限公司 (transliterated as Licheng GCL Solar Power Co. Ltd.) ("GCL Licheng") on 12 August 2014 and 13 August 2014, pursuant to which GCL Licheng has agreed to engage CNI23 Energy as its contractor for the provision of engineering, procurement and construction services in respect of the 黎城協鑫光伏30MW光伏發電項目 (transliterated as Licheng GCL 30MW PV Project) ("Licheng Solar Project") (the "Licheng Procurement and Construction Agreement" and the "Licheng Engineering Agreement" respectively). Further, on 13 November 2014, CNI23 Energy entered into the agreement in relation to the provision of engineering design services to 寶應鑫源光伏發電有限公司 (transliterated as Baoying Xinyuan Solar Power Co., Ltd) ("GCL Baoying") in respect of the 寶應鑫源光伏發電有限公司6MW漁光互補光伏發電項目 (transliterated as Baoying Xinyuan Solar Power Co., Ltd. 6MW Fishing-solar Complementary PV Project) ("Baoying Solar Project") with GCL Baoying, pursuant to which GCL Baoying has agreed to engage CNI23 Energy as its contractor for the provision of engineering design service in respect of the Baoying Solar Project (the "Baoying Engineering Agreement"). On 11 November 2014, CNI23 Energy entered into the agreement with 榆林市榆神工業區東投能源有限公司 (transliterated as Yulin City Yushen Industrial District Dongtou Power Co., Ltd.) ("GCL Yushen"), pursuant to which GCL Yushen has agreed to engage CNI23 Energy as its contractor for the provision of engineering design service in respect of the 陝西榆林榆神100MW光伏發電項目 (transliterated as Shanxi Yulin Yushen 100MW PV Project) ("Yushen Solar Project") (the "Yushen Engineering Agreement").

As the scope of work and requirements under the Licheng Solar Project were more complicated than expected and due to the unfavourable weather condition, the construction progress of the Licheng Solar Project has been delayed and certain works undertaken by CNI23 Energy pursuant to the Licheng Procurement and Construction Agreement could not be completed by the financial year ended 31 December 2014. In addition, in light of the delay of the construction progress of the Licheng Solar Project, the underlying duties of as-built drawings and refinement on the engineering documents could not be fulfilled pursuant to the Licheng Engineering Agreement by the financial year ended 31 December 2014, and in respect of the Yushen Engineering Agreement and the Baoying Engineering Agreement, CNI23 Energy did not obtain all the requisite information to complete the engineering design work by the financial year ended 31 December 2014. Therefore, CNI23 Energy is required to continue and complete the remaining EPC services under the solar projects under the Licheng Engineering Agreement, the Licheng Procurement and Construction Agreement, the Baoying Engineering Agreement and the Yushen Engineering Agreement (the "GCL Solar Projects") in the financial year ending 31 December 2015.

The estimated amount of the remaining continuing connected transactions is approximately RMB16,224,000 (equivalent to approximately HK$20,512,000). Details of the remaining continuing connected transactions were set out in the Company's announcement dated 13 February 2015.

(c) Deemed disposal of interest in an associate

On 13 January 2015, shareholders of 深圳中核二三核電檢修有限公司 (transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.), an associate of the Company, entered into a capital injection agreement with a new subscriber. Upon completion of the share subscription, the Group's equity interest in Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd. has been diluted from 26.5% to 18.55% accordingly.

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 6 March 2015.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	Period ended 31 December 2012 HK$'000	Year ended 31 March 2012 HK$'000	Year ended 31 March 2011 HK$'000
Revenue	**322,523**	556,877	233,622	300,097	295,835
(LOSS)/PROFIT FOR THE YEAR/PERIOD	**(57,195)**	(36,648)	36,721	493,427	(889,084)
Attributable to:					
Owners of the Company	**(40,931)**	(45,536)	37,598	492,587	(890,647)
Non-controlling interests	**(16,264)**	8,888	(877)	840	1,563
	(57,195)	(36,648)	36,721	493,427	(889,084)

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000	As at 31 March 2012 HK$'000	As at 31 March 2011 HK$'000
Total assets	**531,810**	780,778	617,538	541,064	419,581
Total liabilities	**(134,336)**	(323,636)	(181,317)	(316,557)	(1,109,689)
Non-controlling interests	**10,050**	(6,475)	(152)	(1,029)	(2,639)
	407,524	450,667	436,069	223,478	(692,747)