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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Ji Guirong *(Chairman)*

Executive Directors

Ji Hui *(Chief Executive Officer)*
Zang Zheng
Zhang Chuanjun
Xiao Wei
Wang Xiaowei

Independent Non-Executive Directors

Hu Xiaowen
Gong Changhui
Wu Meng

COMPANY SECRETARY

Li Chi Chung

SHARE REGISTRAR

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

AUDITORS

Ernst & Young
Certified Public Accountants

SOLICITORS

Michael Li & Co

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room A02, 35/F
United Centre
95 Queensway
Hong Kong

WEBSITE

www.avicjoyhk.com

STOCK CODE

260

CHAIRMAN'S STATEMENT

2014 was a difficult and yet an eventful year for the Group amid the continuous slowdown of China's macroeconomic growth and the accelerating adjustment of industrial policies in the PRC. In order to diversify and strengthen the earning base and optimize resources deployment, the Group has undergone a series of restructuring and acquisitions during the year. The financial results of the Group for the year ended 31 December 2014 registered a growth in turnover by 26% to HK$1,619.7 million (2013: HK$1,282.8 million). However, due to the pressure on gas price, the increasing direct and operating costs among our business segments, the contribution particularly from the gas segment reduced by 84.4%. Together with the increase in finance costs arose from the new convertible note and convertible bond, the Group made a loss attributable to the owners of the parent of HK$82.1 million (2013: HK$25.4 million) for the year.

The gas segment of the Group recorded revenue of HK$1,440 million (2013: HK$1,241.5 million), representing an increase of 16% from 2013. However, the segment profit from natural gas business dropped to HK$9.1 million in 2014 (2013: HK$58.2 million), representing a significant decrease of HK$49.1 million, which was mainly attributable to the intense competition in the downstream gas market and the surge in operating expenses. A series of measures have been implemented by the management, including strict cost controls and reallocation of the Group's resources through restructuring its current gas business. Considering the China's government policy to boost green energy consumption and to promote the development of natural gas-powered vehicles nationwide, the Group will continue to look for ways to improve the performance of the gas business against the backdrop of a very challenging environment.

The revenue of the Group's LED business was slightly improved in 2014. The revenue of the Group's LED segment increased by 3.6 times to HK$177.2 million (2013: HK$38.6 million). The growth was mainly due to completion of several LED EMC projects that started to generate income during the year, which contributed to reducing the loss of LED business segment to HK$14.2 million in 2014 (2013: HK$15.9 million). In order to achieve economies of scale, the Group will continuously focus on exploring and identifying new profitable LED EMC projects in both outdoor public lighting and indoor lighting markets. In addition, the Group is committed to fulfilling social and environmental responsibilities as an energy-saving enterprise by providing a full range of LED lighting solutions, technologies and services to the market.

CHAIRMAN'S STATEMENT

The Group's finance leasing business, Guangdong Zi Yu Tai Finance Leasing Company Limited ("Ziyutai") has undertaken a number of projects and obtained additional financing during the year. A turnover of HK$12.6 million (2013: HK$8.9 million) was recorded for the year, representing a growth of 42%. The development of finance leasing business was promising, due to the clarification made by the National Tax Department in favor of sales and leaseback business in early 2014. Also, in August 2014, the State Council in the PRC issued the Guidance on Accelerating the Development of Productive Services Industry and Promoting the Restructuring and Upgrading of Industrial Structure to encourage the development of finance leasing industry, which provides a favorable policy environment for Ziyutai's development.

In October 2014, the Group entered into a new business area through investment in Ontex Enterprises Limited, which together with its subsidiaries (the "Project Companies") is principally engaged in class 1 land development of 中部濱海新城 (New Central Coastal City) and construction of 融港大道 (Ronggang Boulevard) (collectively the "Project") in Fuqing City, Fujian Province. The Project will be operated in collaboration between Project Companies, local governments and construction companies under public-private-partnership ("PPP"). It is expected that the Project will not only enable the Group to participate in socio-economic development and urbanization of new small towns in the PRC, but will also provide economic benefits for the Group in the coming years.

The Company has changed its name from "China Environmental Investment Holdings Limited" to "AVIC Joy Holdings (HK) Limited" to reflect its diversified business portfolio. Looking forward, the Group will endeavor to focus on improving operating efficiency, strengthening risk control measures as well as looking for new investment opportunities to enhance shareholders' value.

Finally, I would like to extend my thanks to the Board, all staff, professional and shareholders for their support during the year.

Ji Guirong
Chairman

Hong Kong
25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's consolidated revenue increased by 26% to HK$1,619.7 million (2013: HK$1,282.8 million) for the year ended 31 December 2014. The business of the Group comprises operation of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") refueling stations, management and operation of light-emitting diode ("LED") energy management contracts ("EMC"), provision of finance lease and loan financing services and class 1 land development in the PRC. The increase in consolidated revenue was mainly attributed to the growth of the Group's three major business segments, namely, gas, LED and finance leasing business in the PRC.

The Group's gross profit for the year was HK$226.8 million (2013: HK$267.8 million), representing a decrease of 15% compared to last year mainly due to the increased direct cost across the Group's business segments.

The Group made a loss attributable to owners of the parent for the year ended 31 December 2014 amounted to HK$82.1 million, an increase of HK$56.7 million from HK$25.4 million in 2013. The substantial increase in loss attributable to owners of the parent was mainly attributable to the decreased contribution from gas business by approximately HK$49.1 million, and the overall increase in finance costs resulting from the increase in imputed interest expenses of HK$10.3 million arose from the new convertible bonds and convertible notes, and additional interest expenses of HK$15.7 million due to the increased borrowings during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

(1) Gas Business

Although the Group's gas business encountered a reduction in gross margin, it continued to make positive contributions to the Group on a segment basis. During the year, the Group achieved total sales volume of CNG and LPG amounted to 188,873,048 cubic meter and 57,971 tons respectively, representing a respective growth of 5% and 21% compared with last year. In addition, in response to the industry trend and government promotion to adopt LNG as a new and purer form of energy, a new LNG refueling station was opened in Shandong province and achieved an initial sales volume of 176 tons. For the year ended 31 December 2014, the Group's gas business segment had a total revenue of HK$1,440 million (2013: HK$1,241.5 million), representing an increase of 16% from last year. However, the segment result slid to HK$9.1 million (2013: HK$ 58.2 million), decreased by 84% from last year. The substantial decrease was primarily attributed to the increased direct cost due to the upward price adjustment promulgated by the National Development and Reform Commission of the PRC, as well as the increased operating cost during the year.

In late 2014, the Group has undergone a restructuring in its gas business, disposing of part of the gas business with a view to achieving more effective management and more efficient resources allocation.

(2) LED Business

During the year, the sales revenue of the Group's LED business amounted to HK$177.2 million (2013: HK$38.6 million), increased by 3.6 times from last year. The significant growth was due to the fact that the installations of most LED EMC projects signed in previous years have been completed and started to generate income during the year. However, the segment result recorded a loss of HK$14.2 million (2013: HK$15.9 million), which was mainly attributable to the recognition of initial setup and up-front cost during the year.

(3) Finance Leasing Business

The Group's finance leasing segment recorded a total revenue of HK$12.6 million (2013: HK$8.9 million) for the year, representing an increase of 42% as compared to last year. During the year, the Group's finance leasing subsidiary Ziyutai signed 16 new finance leasing contracts ranging from 2 to 5 years, and 5 new short-term finance leasing consultation contracts primarily for the provision of finance assistance to the Group's LED business. The segment loss for the year was HK$1.4 million (2013: HK$5 million), decreased by 72% from last year.

OPERATIONAL REVIEW (continued)

(4) PPP Class 1 Land Development Business

The Group acquired a new business in October 2014 through investment in Ontex Enterprises Limited, which together with its subsidiaries is principally engaged in class 1 land development of 中部濱海新城 (New Central Coastal City) and construction of 融港大道 (Ronggang Boulevard) (collectively the "Project") in Fuqing City of Fujian Province, which will be funded and operated through public-private-partnership ("PPP"). The Project was still at the early stage of development by the end of 2014 and therefore not yet generating revenue for the Group.

BUSINESS OUTLOOK

The continuous promotion and management of environmental improvement in China has been facilitating the growth of natural gas business. The construction of No. 4 Shaanxi-Beijing Pipeline and the second China-Russia gas deal signed in late 2014 further laid a solid foundation for a sustainable development of the natural gas market. Nevertheless, the Group still faces great challenges due to unbalanced seasonal demand and supply of natural gas and the ongoing nationwide pricing reforms on petroleum products. Given the complexities of the business environment, the Group will continue its effort to improve the operating efficiency of its gas business so as to enhance shareholders' return.

During the year, the Group's LED project companies have signed a series of new contracts with both governmental and commercial clients in the PRC, covering large public road lighting projects and small indoor commercial lighting projects. In the future, echoing Chinese government's strong policy support for the energy-saving and environmental protection industry, the Group's LED project companies will continue to seek business opportunities across the country and strengthen the relationship with local authorities, industrial suppliers and existing clients.

A sustained growth is expected in China's finance leasing industry. The Group will carry out timely review over existing projects and new proposals, while proactively looking for customers with acceptable credit risks so as to expand business scale and increase overall return.

With the continuous economic development and urbanization process in the PRC, the mutually beneficial form of PPP is expected to succeed and attract more capital and investments. The Group's PPP class 1 land development project with Fuqing Government in Fujian Province of the PRC entered into this year is expected to create return from land sales in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES

At 31 December 2014, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from related companies and non-controlling shareholders, promissory notes and convertible bonds) amounted to approximately HK$1,437.5 million (2013: HK$1,324 million), of which HK$723.1 million (2013: HK$162.6 million) and HK$Nil (2013: HK$958.4 million) were related to bank borrowings at operating subsidiaries level funding the local PRC operations denominated in Renminbi and United States Dollars respectively. As a result, the Group's gearing ratio, representing the ratio of Group's total borrowings to total equity of HK$1,451.2 million (2013: HK$1,181.8 million) was 99% (2013: 112%). Cash and bank balances and pledged deposits amounted to HK$650.5 million (2013: HK$1,367.7 million). Net borrowing amounted to HK$787 million (2013: net cash of HK$43.7 million).

During the year, the Group was not materially exposed to foreign currency risk.

DIVIDEND

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

STAFF BENEFITS

At 31 December 2014, the Group had a total of 1,313 employees (2013: 1,430). The staff costs for the year ended 31 December 2014 amounted to approximately HK$121.1 million (2013: HK$130.3 million). The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contribution of statutory mandatory provident fund for the employees and medical scheme. There was no major change on staff remuneration policies during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group provides internal training for existing staff and makes further study as part of the welfare or incentive system for staff. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan for their career development, which lays a solid foundation for sound and sustainable development of the Group.

PLEDGE OF ASSETS

At 31 December 2014, the Group had pledged certain of its finance lease receivables and bank deposits for bills payable and bank borrowings granted.

EVENTS AFTER THE REPORTING PERIOD

(a) On 18 July 2014, Beijing Sinogas Company Limited ("Beijing Sinogas"), an indirect non-wholly-owned subsidiary of the Company, and AVIC Tianxu Hengyuan Energy-Saving Technology Co., Ltd. ("AVIC Tianxu Hengyuan"), an indirect wholly-owned subsidiary of the Company, entered into a properties transfer agreement, pursuant to which Beijing Sinogas has conditionally agreed to transfer its properties to AVIC Tianxu Hengyuan at a cash consideration of RMB11,026,470. The properties transfer agreement lapsed on 18 January 2015 as the conditions precedent remained outstanding and no extension of the completion was agreed between Beijing Sinogas and AVIC Tianxu Hengyuan.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD (continued)

(b) On 3 December 2014, the Company entered into an agreement with Great Concept Investments Holdings Limited, a direct wholly-owned subsidiary of the Company, Sanlin Resources Limited ("Sanlin") and Sino Gas Holdings Group Limited ("Sino Gas BVI"), an indirect non-wholly owned subsidiary of the Company, in relation to a proposed group restructuring which comprises (1) the transfer of (i) 60% of the equity interest in Zhengzhou Sinogas Company Limited ("Zhengzhou Sinogas"), a non-wholly owned subsidiary of the Company; (ii) 80% of the equity interest in Henan Sinogas Nanhai Energy Sources Company Limited ("Henan Sinogas"), a non-wholly owned subsidiary of the Company; (iii) 100% of the equity interest in Xinzheng Sinogas Company Limited ("Xinzheng Sinogas"), a wholly-owned subsidiary of the Company; (iv) 100% of the equity interest in Sinogas (Shanxi) Gas Company Limited ("Shanxi Sinogas"), a wholly-owned subsidiary of the Company; and (v) 50% of the equity interest in Henan Blue Sky Sinopetroleum Clean Energy Science & Technology Company Limited ("Henan Blue Sky"), a joint venture of the Company, to Sino Gas BVI (or its nominated subsidiary) for an aggregate consideration (the "PRC Transfers Consideration") of RMB93,653,263.10; (2) the disposal of the 10% of the issued share capital of Sino Gas BVI and the sum owed by China Full Limited ("China Full"), a subsidiary of Sino Gas BVI, to the Company in the amount of RMB8,767,307 by the Group to Sanlin for an aggregate consideration of RMB20,767,307 to be settled in cash payable by Sanlin to the Company; and (3) the settlement of the debts (the "Debts Settlement"), amounting to RMB84,305,108.18 as at 30 September 2014, owed by Sinogas (Zhuhai) Limited ("Zhuhai Sinogas"), a direct wholly-owned subsidiary of China Full, and its subsidiaries, Zhengzhou Sinogas, Henan Sinogas, Xinzheng Sinogas, Henan Blue Sky, Shanxi Sinogas, Shanxi Xinneng CNG Company Limited ("Shanxi Xinneng"), a non-wholly owned subsidiary of Shanxi Sinogas, to the Company and its subsidiaries (excluding Sino Gas BVI and its subsidiaries as enlarged by Zhengzhou Sinogas, Henan Sinogas, Xinzheng Sinogas, Henan Blue Sky, Shanxi Sinogas and Shanxi Xinneng). Details of the group restructuring were included in the Company's announcement dated 3 December 2014 and circular dated 25 February 2015. The group restructuring was approved by the shareholders of the Company at the extraordinary general meeting of the Company on 3 March 2015.

EVENTS AFTER THE REPORTING PERIOD (continued)

(c) On 6 January 2015, the Company entered into a sale and purchase agreement to purchase a property in Shanghai (the "Property") at a consideration of RMB1,566,032,890. The Property comprised of the building with office and retail units and the parking spaces which together with an aggregate gross floor area of 16,352.29 square metres. Details of the acquisition were included in the Company's announcement dated 6 January 2015 and circular dated 26 February 2015. The acquisition of the Property has been approved by Shareholders at the extraordinary general meeting on 30 March 2015. The acquisition of the Property has not yet completed as at the reporting date of these financial statements.

(d) On 20 January 2015, a deed of amendment (the "Deed") was entered into between the Company as the issuer and Billirich Investment Limited ("Billirich") as the bondholder. Pursuant to the Deed, the Company conditionally agreed to extend the maturity date of the 2% coupon convertible bond in principal amount of HK$51,775,872 issued by the Company on 3 March 2012 to Billirch for three years, from 6 March 2015 to 6 March 2018, other terms remained unchanged (the "Extension"). The Extension was approved by the Independent Shareholders (as defined in the circular of the Company dated 9 February 2015) at the extraordinary general meeting on 3 March 2015. A new convertible bond certificate was issued to Billirich on 3 March 2015. Details of the Extension were disclosed in the announcement and circular of the Company dated 20 January 2015 and 9 February 2015, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Ji Guirong, aged 53, has been the chairman and was an executive director of the Company since January 2005 but re-designated as a non-executive director of the Company since April 2007. He is also a member of the remuneration committee and a member and the chairman of the nomination committee of the Company. Mr. Ji holds a Master's degree in Engineering Management and a Bachelor's degree in Engineering and is a senior engineer. He is the managing director of 幸福航空控股有限公司 (a subsidiary of a substantial shareholder of the Company), a director of AVIC International (HK) Group Limited ("AVIC Int'l"), Tacko International Limited and Speed Profit Enterprises Limited and an executive director, a deputy chairman and the Chief Executive Officer of AVIC International Holding (HK) Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (all being substantial shareholders of the Company). Mr. Ji is also a director of certain companies controlled by certain substantial shareholders of the Company and certain subsidiaries of the Company and was a director and the vice chairman of Navinfo Co., Ltd., a company listed on Shenzhen Stock Exchange, until 26 January 2014.

Mr. Ji Hui, aged 45, has been an executive director of the Company since May 2005. He is currently the chief executive officer of the Company. Mr. Ji holds a Master of Science Degree in Environmental Engineering from the University of Southern California, Los Angeles. Mr. Ji has 23 years of experience in equipment, facilities and product sales in the PRC and the United States of America. He also has research experience in environmental engineering. Mr. Ji is also a director of certain subsidiaries of the Company.

Mr. Zang Zheng, aged 64, has been an executive director of the Company since December 2010. Mr. Zang was educated in Northwestern Polytechnical University, the PRC in Aeronautics Material. Mr. Zang is currently a professional senior engineer in the Aviation Industry Corporation of China Group (the "AVIC Group"). He has held various executive positions in the AVIC Group for the past 34 years and has over 34 years of experience in management and investment. Mr. Zhang is also a vice president of a subsidiary of the Company and a director of certain subsidiaries of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Zhang Chuanjun, aged 44, has been an executive director of the Company since May 2012 and is a vice president of the Company. He holds a Master's degree and a Bachelor's degree in Management Accounting and is a senior accountant. Mr. Zhang has over 22 years of experience in accounting and finance. He is currently a deputy chief financial officer of AVIC International Holding Corporation, the chief financial officer of AVIC International (HK) Group Limited, a director of Speed Profit Enterprises Limited, an executive director and the chief financial officer of AVIC Int'l (all being substantial shareholders of the Company), a director of certain companies controlled by certain substantial shareholders of the Company and certain subsidiaries of the Company. Mr. Zhang is also an executive director and the deputy chairman of Peace Map Holding Limited, a company listed on the Stock Exchange.

Mr. Xiao Wei, aged 52, has been re-designated as an executive director of the Company from an indepedent non-executive director of the Company since November 2012. He was an independent non-executvie director of the Company from May 2005 to November 2012, and the chairman and a member of each of the audit committee and the remuneration committee of the Company from April 2008 to November 2012, as well as a member of the nomination committee of the Company from March 2012 to November 2012. Mr. Xiao graduated from the Electrical Engineering Department of Shanghai Tong Ji University, the PRC. He has 30 years of experience in engineering and management. He is also a vice general manager of a subsidiary of the Company.

Mr. Wang Xiaowei, aged 53, has been an executive director of the Company since June 2014. Mr. Wang holds a Bachelor's degree from Tianjin Armed Police Engineering College, the PRC. He has 13 years of management experience in real estate, infrastructure, engineering and energy saving sectors. Mr. Wang has served as the general manager of Fujian Huayuan Property Limited and a manager of AVIC International (HK) Group Limited. He is currently the vice president of AVIC International (Fujian) Industrial Limited and the chairman of AVIC Tianxu Hengyuan Energy Saving Technology (Fujian) Limited, both being the subsidiaries of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Hu Xiaowen, age 39, has been an independent non-executive director of the Company since November 2012. He is the chairman and a member of each of the audit committee and the remuneration committee of the Company, and a member of the nomination committee of the Company. Mr. Hu holds a Master's degree in Accounting from Capital University of Economics and Business, the PRC and a Bachelar's degree in Accountancy from Central University of Finance and Economics, the PRC. Mr. Hu is currently the chief financial officer of Hanwang Technology Co., Ltd., a company listed on Shenzhen Stock Exchange, since April 2014. From August 2012 to April 2014, he served as the financial controller of Beijing Bosheng Advanced Technology Co. Ltd. From June 2004 to April 2012, Mr. Hu worked in Tongfang Co. Ltd. as the financial manager and financial controller respectively in digital TV department. From April 2001 to January 2003, he served as the financial controller of Beijing Foseb Auctioneers. Mr. Hu has over 13 years of experience in financial planning and management, mergers and acquisitions and corporate finance.

Mr. Gong Changhui, aged 35, has been an independent non-executive Director since August 2014. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. He holds a Bachelor's degree in Computer Science and Technology from Harbin Institute of Technology, the PRC. He held the project manager and senior software engineer positions in several computer software companies and has over 11 years of experience in corporate operation, project management and computer software development. He has been working at Beijing Xinyueqi Technology and Trade Limited since the end of 2011, responsible for project management and development.

Mr. Wu Meng, aged 42, has been an independent non-executive Director since August 2014. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. He holds a Bachelor's degree in Mechanical Casting Engineering from Guizhou University of Technology, the PRC. From 1996 to 1998, he has served as an assistant engineer in a subsidiary of Aviation Industry Corporation of China, a substantial shareholder of the Company. Mr. Wu served as structural engineer in a manufacturing company in the PRC from 1999 to 2003. Since 2004, he has been engaged in the manufacturing, international trading, investment and financing businesses until now and served as the general manager in two manufacturing companies in Shenzhen, the PRC. Mr. Wu has over 19 years of experience in manufacturing, corporate management, trading, investment and financing.

REPORT OF THE DIRECTORS

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

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 28 October 2014 and approved by the Registrar of Companies of Hong Kong, the English name of the Company has been changed from China Environmental Investment Holdings Limited to AVIC Joy Holdings (HK) Limited with effect from 3 November 2014.

The Chinese name of the Company has been changed from 中國環保投資股份有限公司 to 幸福控股(香港)有限公司 with effect from 3 November 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. During the year, the board of directors announced its decision to engage in the provision of land development services. Other than that, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's loss 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 financial statements on pages 47 to 209.

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 published audited financial statements is set out on page 210. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 39, 40 and 34 to the financial statements, respectively.

REPORT OF THE DIRECTORS

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.

NEW SHARES ISSUED AND CONVERTED

As at 31 December 2014, the total number of issued shares of the Company was 4,483,782,539. As compared with the position of 31 December 2013, a total of 100,000,000 new shares were issued during the year.

On 23 December 2014, a holder of convertible bonds exercised its right of conversion. Convertible bonds in principal amount of HK$20,000,000 were converted into 100,000,000 ordinary shares of the Company at conversion price of HK$0.20 per share by a bondholder.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 41(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company had no reserves available for distribution in accordance with the provisions of Section 79B of the predecessor Hong Kong Companies Ordinance (Cap. 32).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 20% of the total sales for the year and sales to the largest customer included therein amounted to 8%. Purchases from the Group's five largest suppliers accounted for less than 54% of the total purchases for the year and purchases from the largest supplier included therein amounted to 25%.

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 share capital) had any beneficial interest in the Group's five largest customers or suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were:

Non-executive director:

Ji Guirong *(Chairman)*

Executive directors:

Ji Hui *(Chief Executive Officer)*	
Zang Zheng	
Zhang Chuanjun	
Zhang Ning *(Chief Financial Officer)*	(resigned on 27 June 2014)
Xiao Wei	
Wang Xiaowei	(appointed on 27 June 2014)

Independent non-executive directors:

Wang Zhonghua	(retired on 27 June 2014)
Zhong Qiang	(retired on 27 June 2014)
Hu Xiaowen	
Gong Changhui	(appointed on 11 August 2014)
Wu Meng	(appointed on 19 August 2014)

In accordance with article 87 of the Company's articles of association (the "Articles"), Mr. Ji Hui, Mr. Zhang Chuanjun and Mr. Hu Xiaowen will retire by rotation, and being eligible will offer themselves for re-election at the forthcoming annual general meeting. The terms of office of all directors (including non-executive director and independent non-executive directors) are subject to reappointment or retirement by rotation in accordance with Articles 86(B), 87 and 88.

The Company has received from each of its independent non-executive directors an annual confirmation of independence and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 12 to 14 of the annual report.

REPORT OF THE DIRECTORS

CHANGES IN INFORMATION OF DIRECTORS

Save for changes in the biographical details of the directors, there was no other change in the information of the directors required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Mr. Ji Hui has a service contract with the Company which commenced on 17 May 2005 and is subject to termination by either party giving not less than two months' written notice. He is subject to reappointment or retirement by rotation in accordance with Articles 86(B), 87 and 88.

Mr. Zhang Chuanjun has entered into a service contract with the Company which commenced on 14 January 2005 and is subject to termination by either party giving not less than two months' written notice. He is subject to reappointment or retirement by rotation in accordance with Acticles 86(B), 87 and 88.

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' REMUNERATION

The directors' fees are subject to shareholders' approval at annual general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN CONTRACTS

Save as disclosed above, 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.

REPORT OF THE DIRECTORS

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

At 31 December 2014, the interests and short positions of the directors in the share capital and underlying shares 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") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in share options of the Company:

Name of directors	Number of options beneficially owned
Ji Guirong	52,350,000
Ji Hui	32,000,000
Zhang Chuanjun	40,000,000
Wang Xiaowei	8,980,000
	133,330,000

Save as disclosed above, as at 31 December 2014, none of the directors and chief executive of the Company had registered an interest or a short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 40 to the financial statements.

The following table discloses movements in the Company's share options under the Scheme outstanding during the year.

	Number of share options									
Name or category of participant	At 1 January 2014	Granted during the year	Exercised during the year	Transfer in/out during the year[1]	Expired during the year	Forfeited during the year	At 31 December 2014	Date of grant of share options[2]	Exercise period of share options	Exercise price of share options HK$ per share[3]
Directors										
Ji Guirong	7,450,000	-	-	-	-	-	7,450,000	23-8-07	1-10-07 to 31-1-15	0.233
	7,450,000	-	-	-	-	-	7,450,000	23-8-07	1-1-08 to 31-1-15	0.233
	7,450,000	-	-	-	-	-	7,450,000	23-8-07	1-7-08 to 31-1-15	0.233
	30,000,000	-	-	-	-	-	30,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	52,350,000	-	-	-	-		52,350,000			
Ji Hui	2,000,000	-	-	-	-	-	2,000,000	3-1-06	1-2-06 to 31-1-15	0.20
	30,000,000	-	-	-	-	-	30,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	32,000,000	-	-	-	-	-	32,000,000			
Zhang Chuanjun	10,000,000	-	-	-	-	-	10,000,000	3-1-06	1-2-06 to 31-1-15	0.20
	30,000,000	-	-	-	-	-	30,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	40,000,000	-	-	-	-	-	40,000,000			
Zhang Ning (resigned on 27 June 2014)	15,000,000	-	-	-	-	(15,000,000)	-			
	15,000,000	-	-	-	-	(15,000,000)	-			
	30,000,000	-	-	-	-	(30,000,000)	-			
Wang Xiaowei	-	-	-	4,490,000	-	-	4,490,000	13-6-12	13-6-13 to 12-6-22	0.236
	-	-	-	4,490,000	-	-	4,490,000	13-6-12	13-6-14 to 12-6-22	0.236
	-	-	-	8,980,000	-	-	8,980,000			
	154,350,000	-	-	8,980,000	-	(30,000,000)	133,330,000			

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options							Date of grant of share options[2]	Exercise period of share options	Exercise price of share options HK$ per share[3]
	At 1 January 2014	Granted during the year	Exercised during the year	Transfer in/out during the year[1]	Expired during the year	Forfeited during the year	At 31 December 2014			
Consultants										
In aggregate	57,150,000	-	-	-	-	-	57,150,000	23-8-07	1-10-07 to 31-1-15	0.233
	57,150,000	-	-	-	-	-	57,150,000	23-8-07	1-1-08 to 31-1-15	0.233
	57,150,000	-	-	-	-	-	57,150,000	23-8-07	1-7-08 to 31-1-15	0.233
	127,500,000	-	-	-	-	-	127,500,000	31-8-10	31-8-10 to 30-8-20	0.227
	24,490,000	-	-	(4,490,000)	-	-	20,000,000	13-6-12	13-6-13 to 12-6-22	0.236
	24,490,000	-	-	(4,490,000)	-	-	20,000,000	13-6-12	13-6-14 to 12-6-22	0.236
	347,930,000	-	-	(8,980,000)	-	-	338,950,000			
Other employees										
In aggregate	75,000,000	-	-	-	-	-	75,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	577,280,000	-	-	-	-	(30,000,000)	547,280,000			

Notes to the table of share options outstanding during the year:

1. During the year ended 31 December 2014, a consultant, Mr. Wang Xiaowei, was appointed as a director of the Company and accordingly, his share options have been reclassified from the consultants' category to the directors' category.

2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, 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 of the directors 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.

REPORT OF THE DIRECTORS

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

At 31 December 2014, the following interests and short positions of 5% or more of the issued share capital and convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Notes	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital	Number of convertible shares (issuable under the convertible bonds held)	Percentage of the Company's share capital if the convertible shares were exercised
Billirich Investment Limited ("Billirich")	(a)	Long	Beneficial owner	1,031,595,000	23.01%	220,322,859	4.91%
AVIC International Holding (HK) Limited ("AVIC Int'l")	(a)	Long	Interest of a controlled corporation	1,031,595,000	23.01%	220,322,859	4.91%
Tacko International Limited	(a)	Long	Interest of a controlled corporation	1,031,595,000	23.01%	220,322,859	4.91%
AVIC International (HK) Group Limited	(a)	Long	Beneficial owner and interest of a controlled corporation	1,535,618,891	34.25%	220,322,859	4.91%
AVIC International Holding Corporation	(a)	Long	Interest of a controlled corporation	1,535,618,891	34.25%	220,322,859	4.91%
Sanmax Investment Limited	(b)	Long	Beneficial owner	–	–	1,116,152,462	24.89%
China Joy Airlines (HK) Holdings Ltd.	(b)	Long	Interest of a controlled corporation	–	–	1,116,152,462	24.89%
AVIC Joy Air (HK) Holdings Limited	(b)	Long	Interest of a controlled corporation	–	–	1,116,152,462	24.89%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Name	Notes	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital	Number of convertible shares (issuable under the convertible bonds held)	Percentage of the Company's share capital if the convertible shares were exercised
幸福航空控股有限公司	(b)	Long	Interest of a controlled corporation	–	–	1,116,152,462	24.89%
Aviation Industry Corporation of China ("AVIC")	(a), (b)	Long	Interest of a controlled corporation	1,535,618,891	34.25%	1,336,475,321	29.81%
Huatai Financial Holdings (Hong Kong) Limited	(c)	Long	Beneficial owner	–	–	875,000,000	19.51%
Huatai Securities Company Limited	(c)	Long	Interest of a controlled corporation	–	–	875,000,000	19.51%
Yada Investment Limited	(d)	Long	Beneficial owner	100,000,000	2.23%	143,847,538	3.21%
Li Weimin	(d)	Long	Interest of a controlled corporation	100,000,000	2.23%	143,847,538	3.21%
Grand Win Overseas Ltd. ("Grand Win")	(e)	Long	Beneficial owner	313,965,000	7.00%	–	–
Sun Shining Investment Corp.	(e)	Long	Interest of a controlled corporation	313,965,000	7.00%	–	–
Tai Yuen Textile Company Ltd.	(e)	Long	Interest of a controlled corporation	313,965,000	7.00%	–	–

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

(a) Billirich is a wholly-owned subsidiary of AVIC Int'l. Tacko International Limited, together with its wholly-owned subsidiary, hold in aggregate approximately 34.34% of the issued share capital of AVIC Int'l. Tacko International Limited is a wholly-owned subsidiary of AVIC International (HK) Group Limited, which in turn is a wholly-owned subsidiary of AVIC International Holding Corporation. AVIC International Holding Corporation is a non-wholly-owned subsidiary of AVIC. Accordingly, all these corporations are deemed to be interested in the shares and convertible shares held by Billirich.

(b) Sanmax Investment Limited is a wholly-owned subsidiary of China Joy Airlines (HK) Holdings Ltd., which in turn is a wholly-owned subsidiary of AVIC Joy Air (HK) Holdings Limited. AVIC Joy Air (HK) Holdings Limited is a wholly-owned subsidiary of 幸福航空控股有限公司, which in turn is a wholly-owned subsidiary of AVIC. Accordingly, all these corporations are deemed to be interested in the convertible shares held by Sanmax Investment Limited.

(c) Huatai Financial Holdings (Hong Kong) Limited is a wholly-owned subsidiary of Huatai Securities Company Limited. Accordingly, Huatai Securities Company Limited is deemed to be interested in the convertible shares held by Huatai Financial Holdings (Hong Kong) Limited.

(d) Yada Investment Limited is wholly-owned by Mr. Li Weimin, thus, Mr. Li Weimin is deemed to be interested in the convertible shares held by Yada Investment Limited.

(e) Grand Win is a wholly-owned subsidiary of Sun Shining Investment Corp. Tai Yuen Textile Company Ltd. beneficially owns 82.85% equity interest in Sun Shining Investment Corp. and therefore, these corporations are deemed to be interested in the shares held by Grand Win.

Save as disclosed above, as at 31 December 2014, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which had been disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

Continuing connected transactions

On 3 May 2013, 20 January 2014 and 7 May 2014, Guangdong Zi Yu Tai Finance Leasing Company Limited ("Ziyutai"), a wholly-owned subsidiary of the Company, entered into a financing agreement with Shanghai Lanpei New Material Technology Holdings Limited ("Shanghai Lanpei"), an indirect 45% owned by Shanghai Han Zhong Hang Yue Enterprise Management Consultancy Limited ("Shanghai HZHY"). Shanghai HZHY is wholly-owned by AVIC Int'l. Pursuant to the financing agreement, Ziyutai agreed to provide a revolving facility up to RMB15,700,000 for the aggregate drawdown of financing principal and leasing amount to Shanghai Lanpei for a term of up to three years, and interest income of HK$1,101,000 was received by Ziyutai for the year ended 31 December 2014.

On 2 December 2013, Suzhou Target Lighting Company Limited ("Suzhou Target"), a wholly-owned subsidiary of the Company, entered into a service agreement with Changzhou Changfei Real Estates Development Co., Ltd. ("Changzhou Changfei"), an indirect wholly-owned subsidiary of Aviation Industry Corporation of China. Pursuant to the service agreement, Changzhou Changfei has agreed to engage Suzhou Target for the provision of light-emitting diode lighting energy-saving solution services (the "Service") for a hotel owned and managed by Changzhou Changfei located in Changzhou City of the PRC. Suzhou Target will share 80% of total monetary energy-saving benefits of RMB6,187,510 expected to be resulted from the Service during the benefit-sharing period from 1 July 2014 to 30 June 2019.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

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 share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 51 of the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ji Hui
Chief Executive Officer

Hong Kong
25 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to pursuing strict and high standards of corporate governance since the board (the "Board") of Directors ("Directors") of the Company believes that good corporate governance practices are essential to achieve the Group's objectives of enhancing corporate value as well as safeguarding the interests of the shareholders of the Company (the "Shareholders").

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year, save and except as disclosed hereunder:

(i) code provision A.4.1 stipulates that all non-executive directors (including independent non-executive directors) should be appointed for a specific term. The non-executive directors of the Company were appointed without specific terms, but they are subject to retirement and re-election at least once every three years in accordance with the articles of association of the Company;

(ii) code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other important business engagements at the relevant time, not all independent non-executive Directors ("INEDs") and the non-executive Director of the Company were able to attend the annual general meeting of the Company held on 27 June 2014 (the "AGM") and the extraordinary general meeting of the Company held on 28 October 2014;

(iii) code provision D.1.4 stipulates that the company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have letters of appointment for Directors of the Company, however, the Directors shall be subject to retirement and re-election pursuant to the articles of association of the Company. Moreover, the non-executive Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry, and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. In addition, the non-executive Directors are required to comply with the requirements under statue and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable;

CORPORATE GOVERNANCE REPORT

(iv) code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. However, due to other important business engagements at the relevant time, the chairman of the Board (the "Chairman") did not attend the AGM. Nevertheless, Mr. Ji Hui, the chief executive officer of the Company and an executive Director, took the chair of the AGM and an INED, being the chairman of the audit committee and the remuneration committee, and a member of the nomination committee was present thereat and was available to answer questions to ensure effective communication with the shareholders of the Company; and

(v) Rule 3.10(1) and 3.10A of the Listing Rules stipulates that every board of directors must include at least three INEDs which must at least represent one-third of the Board. Following the retirements of Mr. Wang Zhonghua ("Mr. Wang") and Mr. Zhong Qiang ("Mr. Zhong") on 27 June 2014, the number of INEDs fell below the minimum number and proportion required under Rules 3.10(1) and 3.10A of the Listing Rules.

Rule 3.21 of the Listing Rules stipulates that the audit committee must comprise a minimum of three members. Following the retirements of Mr. Wang and Mr. Zhong, the audit committee ("Audit Committee") had one member and two members for the periods from 27 June 2014 to 10 August 2014 and from 11 August 2014 to 18 August 2014, respectively. Hence the number of members of the Audit Committee fell below the minimum number required under Rule 3.21 of the Listing Rules.

Following the appointments of two new INEDs on 11 August 2014 and 19 August 2014 for filling the vacancies, the number of Directors increased to nine, of which three Directors are INEDs (representing one-third of the Board) and accordingly, the Company has complied with Rules 3.10(1), 3.10A and 3.21 from 19 August 2014 onwards.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the year.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises nine Directors in total, with one non-executive Director ("Non-Executive Director"), five executive Directors ("Executive Directors") and three INEDs. The composition of the Board during the year and up to the date of this report is set out as follows:

Non-Executive Director:	Ji Guirong *(Chairman)*
Executive Directors:	Ji Hui *(Chief Executive Officer)* Zang Zheng Zhang Chuanjun Xiao Wei Wang Xiaowei (Appointed on 27 June 2014) Zhang Ning *(Chief Financial Officer)* (Resigned on 27 June 2014)
INEDs:	Hu Xiaowen Gong Changhui (Appointed on 11 August 2014) Wu Meng (Appointed on 19 August 2014) Zhong Qiang (Retired on 27 June 2014) Wang Zhonghua (Retired on 27 June 2014)

Currently, the Board comprises one Non-Executive Director, five Executive Directors and three INEDs. Mr. Wang Xiaowei joined the Board as an Executive Director on 27 June 2014, Mr. Gong Changhui was appointed as an INED on 11 August 2014 and Mr. Wu Meng was appointed as an INED on 19 August 2014. In addition, Mr. Zhang Ning resigned as an Executive Director, and Mr. Zhong Qiang and Mr. Wang Zhonghua retired as INEDs on 27 June 2014. Save as above, all other existing Directors served for the whole year 2014.

The biographical details of the Directors are set out in the "Biographical Details of Directors" section on pages 12 to 14 of this annual report. The Directors have no other financial, business, family or other material/relevant relationships with one another.

CORPORATE GOVERNANCE REPORT

Function and Duties of the Board

The main functions and duties of the Board include:

(a) determining overall strategic planning and policy formulation of the Group;

(b) determining substantial investments;

(c) considering acquisitions and disposals;

(d) deciding business and investment plans;

(e) reviewing and monitoring financial and project budgeting;

(f) reviewing and determining dividend policy;

(g) approving the publication of annual and interim results and reports;

(h) recommending the re-election of Directors *(based on the recommendations made by the nomination committee)*; and

(i) determining or considering other substantial operating and financial matters.

Corporate Governance Functions

The Board is also responsible for performing corporate governance functions with the following duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year 2014, the Board had considered the following corporate governance matters:

(a) reviewed the board diversity policy;

(b) performed corporate governance duties under the CG Code;

(c) reviewed the connected transactions and the continuing connected transactions of the Group (if any);

(d) reviewed the compliance with the CG Code; and

(e) reviewed the effectiveness of the internal controls and risk management systems of the Company through the audit committee.

Implementation of the decisions and plans of the Board and direction of the day-to-day operation are delegated to the management. The respective functions of the Board and management of the Company have been formalized and will be reviewed by the Board from time to time to ensure that they are consistent with the existing rules and regulations.

CORPORATE GOVERNANCE REPORT

Board Meetings

The Board meets regularly to discuss the overall strategy of the Group and to review and approve the Group's annual and interim results and other matters which need to be dealt with. At least 14 days' notice of all regular Board meetings is normally given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. The Company Secretary is responsible for keeping minutes for the Board meetings.

During the year ended 31 December 2014, nine Board meetings were held and the attendance records of each Director at the Board, committees and general meetings are set out below:

	Number of meetings attended/held				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Non-Executive Director					
Mr. Ji Guirong	9/9		2/2	2/2	0/2
Executive Directors					
Mr. Ji Hui	2/9				2/2
Mr. Zang Zheng	9/9				1/2
Mr. Zhang Chuanjun	8/9				1/2
Mr. Xiao Wei	9/9				2/2
Mr. Wang Xiaowei (appointed on 27 June 2014)	5/5				1/1
Mr. Zhang Ning (resigned on 27 June 2014)	1/4				0/1
INEDs					
Mr. Hu Xiaowen	9/9	2/2	2/2	2/2	1/2
Mr. Gong Changhui (appointed on 11 August 2014)	3/3	1/1	0/0	0/0	0/1
Mr. Wu Meng (appointed on 19 August 2014)	3/3	1/1	0/0	0/0	1/1
Mr. Wang Zhonghua (retired on 27 June 2014)	2/4	1/1	1/1	1/2	0/1
Mr. Zhong Qiang (retired on 27 June 2014)	1/4	1/1	1/1	1/2	0/1

CORPORATE GOVERNANCE REPORT

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by the Board at a duly convened Board meeting.

Every Director is entitled to have access to Board papers and related materials, and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's management. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Each Director has the liberty to seek independent professional advice at the Company's expenses if so reasonably required. The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the extent of this insurance each year.

INEDs

During the year, following the retirements of two INEDs on 27 June 2014, the number of INEDs fell below the minimum number and proportion required under Rules 3.10(1) and 3.10A of the Listing Rules from 27 June 2014 to 19 August 2014. Following the appointments of two new INEDs on 11 August 2014 and 19 August 2014 for filling the vacancies, the number of Directors increased to nine, of which three Directors are INEDs (representing one-third of the Board) and accordingly, the Company has complied with the Rules 3.10(1) and 3.10A from 19 August 2014 onwards.

As at the date of this report, the Company appointed three INEDs, representing one-third of the Board, one of the INEDs has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Board considers that all INEDs have appropriate and sufficient industry or finance experience and qualifications to carry out their duties as to protect the interests of the Shareholders.

The Board has received from each INED an annual confirmation of independence of his independent and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, all Directors have participated in continuous professional development by attending seminars or programs or studying relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2014 is summarized below:

	Participation of Continuous Professional Development Activities	
Name of Directors	**Attending trainings/ briefing/ seminars/ conference**	**Reading Regulatory and updates**
Non-Executive Director		
Mr. Ji Guirong *(Chairman)*	–	✓
Executive Directors		
Mr. Ji Hui *(Chief Executive Officer)*	–	✓
Mr. Zang Zheng	–	✓
Mr. Zhang Chuanjun	✓	✓
Mr. Xiao Wei	–	✓
Mr. Wang Xiaowei (appointed on 27 June 2014)	✓	✓
Mr. Zhang Ning *(Chief Financial Officer)* (resigned on 27 June 2014)	–	–
INEDs		
Mr. Hu Xiaowei	✓	✓
Mr. Gong Changhui (appointed on 11 August 2014)	✓	✓
Mr. Wu Meng (appointed on 19 August 2014)	✓	✓
Mr. Wang Zhonghua (retired on 27 June 2014)	–	–
Mr. Zhong Qiang (retired on 27 June 2014)	–	–

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Ji Guirong, being the Chairman of the Company, is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. Mr. Ji Hui, being the Chief Executive Officer of the Company, is responsible for day-to-day management of the Group's business. Their responsibilities are clearly segregated and have been set out in writing.

Appointment and Re-election of Directors

During the year, the Non-Executive Directors (a majority of whom are independent) provide the Group with a wide range of expertise and experience as well as checks and balance to safeguard the interests of the Shareholders by their participation in the Board and committee meetings with independent judgment on issues relating to the Group's strategy, performance and management process.

The Company did not have formal letters of appointment for Directors. Directors shall be subject to retirement by rotation at least once every three years in accordance with the Articles and are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry, and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. In addition, Directors are required to comply with the requirements under statue and common law, the Listing Rules, legal and other regulatory requirements, and the Company's corporate governance policies.

In accordance with the Articles, at each AGM, one-third of the Directors or for the time being (or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Directors shall be subject to retirement by rotation at least once every three years. Every retiring Director shall be eligible for elections. As such no Director has a term of appointment longer than three years.

CORPORATE GOVERNANCE REPORT

Further, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting whilst for those appointed as an addition to the Board shall hold office until the next following AGM and in both cases, those Directors shall then be eligible for re-election at the relevant meeting.

Every newly appointed Director will receive an induction package from the legal advisor of the Company on the first occasion of his/her appointment. This induction package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance. Directors will be continuously updated on any major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

Board Committees

The Company has established three Board committees (the "Board Committees"), namely the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"), each of which has its specific written terms of reference, to assist the Board Committees in discharging its duties and responsibilities. Copies of minutes of all meetings and resolutions of the Board Committees, which are kept by the Company Secretary, are circulated to all Board Committees' members and the Board Committees are required to report back to the Board on their decisions and recommendations where appropriate. The Board Committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expenses if so reasonably required.

Audit Committee

As at the year ended 31 December 2014, the Audit Committee comprises three INEDs, namely, Mr. Hu Xiaowen (Chairman of the Audit Committee), Mr. Wu Meng and Mr. Gong Changhui. The Audit Committee is chaired by an INED with appropriate professional qualifications, or accounting or related financial management expertise.

During the year, the number of members of the Audit Committee fell below the minimum of three members as required under Rule 3.21 of the Listing Rules from 27 June 2014 to 18 August 2014, following the appointments of two new INEDs on 11 August 2014 and 19 August 2014 for filling the vacancies such that the number of members of the Audit Committee increased to three, the Company has compiled with the Rule 3.21 from 19 August 2014 onwards.

CORPORATE GOVERNANCE REPORT

The Audit Committee shall meet at least twice a year. During the year ended 31 December 2014, two meetings of the Audit Committee were held and attended by the external auditor of the Company. The attendance of the members was set out in the sub-section headed "Board Meetings" of this Corporate Governance Report.

The terms of reference of the Audit Committee include the code provisions set out in the CG Code. The terms of reference are available on the websites of the Stock Exchange and the Company.

The primary duties of the Audit Committee are:

(i) to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(ii) to review and monitor the external auditor's independence and objectivity;

(iii) to consider and discuss with the external auditor the nature and scope of audit and reporting obligations before the audit commences;

(iv) to report to the Board, identify and make recommendations on any matters where action or improvement is needed;

(v) to act as the key representative body for overseeing the Company's relations with the external auditor;

(vi) to monitor the integrity of the Company's financial statements, including the interim and annual accounts, interim reports and annual reports before submission to the Board;

(vii) to review the Company's financial controls, internal control and risk management systems;

(viii) to consider major investigation findings on internal control matters as delegated by the Board and management's response to these findings; and

(ix) to review the external auditor's management letter and management's response.

CORPORATE GOVERNANCE REPORT

During the year, the Audit Committee has held two meetings and the committee has reviewed and discussed the financial reporting matters, including:

(i) reviewed and recommended for the Board's approval the interim and annual results, the interim report and annual report and other financial statements, the internal control and risk management matters of the Group and making recommendations to the Board;

(ii) considered and discussed the reports and presentations of senior management and the external auditor, with a view to ensure that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong;

(iii) made recommendations to the Board on the appointment or reappointment of external auditor;

(iv) discussed with the external auditor of its independent review of the interim financial report and its annual audit of the consolidated financial statement; and

(v) reviewed the qualification and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget.

Remuneration Committee

The Remuneration Committee has been established since March 2012 and currently consists of three members, including Mr. Hu Xiaowen (Chairman of the Remuneration Committee), Mr. Gong Changhui and Mr. Wu Meng, all are INEDs, and Mr. Ji Guirong, a Non-Executive Director and the Chairman of the Company.

The Remuneration Committee shall meet at least once a year. During the year ended 31 December 2014, two meetings of the Remuneration Committee were held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this Corporate Governance Report.

Details of the Directors' emoluments and remuneration payable to members of senior management by band are set out in notes 9 and 10 to the financial statements. The terms of reference of the Remuneration Committee includes the relevant code provisions set out in the CG Code. The terms of reference are available on the websites of the Stock Exchange and the Company. The Remuneration Committee adopted the model "to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management".

CORPORATE GOVERNANCE REPORT

The primary duties of the Remuneration Committee are:

(i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(iii) to make recommendations to the Board on the remuneration of Non-Executive Directors;

(iv) to consider salaries paid by comparable companies, time commitments and responsibilities and employment conditions elsewhere in the Group;

(v) to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vi) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(vii) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2014, the Remuneration Committee performed the following duties:

(a) reviewed and recommended the existing policies and structure of the remuneration of the Directors and senior management of the Group to the Board; and

(b) reviewed and approved the remuneration packages of the Directors and senior management of the Group with reference to the Board's corporate goals and objectives as well as individual performances.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee has been established since March 2012 and is chaired by the Chairman of the Company and comprises a majority of INEDs. Currently, the Nomination Committee consists of four members, including Mr. Ji Guirong (Chairman of the Nomination Committee), a Non-Executive Director and the Chairman of the Company, Mr. Hu Xiaowen, Mr. Wu Meng and Mr. Gong Changhui, all are INEDs.

The Nomination Committee shall meet at least once a year. During the year ended 31 December 2014, two meetings of the Nomination Committee were held and the attendance of the members was set out in the section sub-headed "Board Meetings" of this Corporate Governance Report.

The terms of reference of the Nomination Committee include the relevant code provisions are set out in the CG Code. The terms of reference are available on the websites of the Stock Exchange and the Company.

The primary duties of the Nomination Committee are:

(i) to review the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually or when necessary and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) to assess the independence of INEDs;

(iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

(v) to review the Board Diversity Policy, as appropriate and make recommendations on any required changes to the Board for consideration and approval, and monitor its implementation so as to ensure its effectiveness, and make disclosure of its summary and the progress of its implementation in the corporate governance report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, the Nomination Committee has held two meetings and the committee performed the following duties:

(a) reviewed the structure, size, composition and diversity of the Board including the skills knowledge and experience of the Board;

(b) made recommendations to the Board on the appointments and re-appointment of retiring Directors and succession planning for Directors, in particular the chairman and the chief executive; and

(c) assessed the independence of INEDs.

The Board adopted the Board diversity policy in August 2013 that set out the objectives and principles regarding board diversity for the purpose of achieving the Company's strategic objectives of balanced diversity at the Board as far as practicable. The Company believes that a diversified perspective can be achieved through considering a number of factors, including but not limited to gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on the Company's business model and specific needs from time to time. Directors' appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements which provide a true and fair view of the state of affairs of the Group in accordance with the relevant statutory requirements and applicable accounting standards. The financial statements are prepared on a going concern basis and the Directors are not aware of any material uncertainties or events which may have a significant impact on the Company's ability to operate as a going concern.

The responsibilities of the auditors with respect to the financial statements are set out in the Independent Auditors' Report annexing in this annual report.

The Company has published its annual and interim results, in accordance with the requirement of the Listing Rules and other relevant regulations, in a timely manner within three months and two months respectively after the end of the relevant periods.

CORPORATE GOVERNANCE REPORT

Internal Controls

The Board is responsible for maintaining the Group's internal control system and reviewing its effectiveness through the Audit Committee. A system is designed, for complying with applicable laws, rules and regulations, to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Group. Accordingly, it can only provide reasonable, but not absolute, assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board conducted an annual review of the effectiveness of the internal control system of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board is of the view that the internal control system in place for the year ended 31 December 2014 is sufficient to safeguard the interests of the Group's assets.

In 2014, the Board through the Audit Committee had reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their training programs and budget.

Auditors' Remuneration

During the year ended 31 December 2014, the remuneration paid or payable to the Company's auditor, Ernst & Young, is set out below:

Service rendered for the Group	**HK$'000**
Audit services	2,760
Non-audited services	
(including review of interim results and transactions)	2,349
Total	5,109

COMPANY SECRETARY

The Company has engaged Mr. Li Chi Chung, a lawyer and an external service provider, as our Company Secretary, who fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. He has attained not less than 15 hours of relevant professional training for the year ended 31 December 2014. The Company Secretary provided advices to the Board to ensure that the Board procedures and all applicable laws are followed and direct reported to Mr. Ji Hui, an Executive Director and the Chief Executive Officer.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information and news are also made available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting and also invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or, failing this, his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

During the year, due to other important business engagements at the relevant time, the Chairman did not attend the AGM. Nevertheless, Mr. Ji Hui, the chief executive officer of the Company and an executive Director, took the chair of the AGM and an INED, being the chairman of the audit committee and the remuneration committee, and a member of the nomination committee was present thereat and was available to answer questions to ensure effective communication with the Shareholders.

Separate resolutions are proposed at the general meeting for each substantial issue, including the re-election of retiring Directors.

The notice to Shareholders is to be sent at least 20 clear business days before an annual general meeting and at least 10 clear business days before a meeting other than an annual general meeting. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The chairman of the general meeting answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Shareholders' Right to Convene Extraordinary General Meeting

The Articles provides that the Directors may, whenever they think fit, convene an extraordinary general meeting and extraordinary general meetings shall also be convened on requisition, or, in default, may be convened by the requisitionists, all as provided by the Companies Ordinance (Cap. 622), which provides that the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.

Shareholders' Right to Put Enquiries to the Board

The Board has established a shareholders' communication policy. A Shareholder may serve an enquiry to the Board at the registered office of the Company for the attention of the Board in written form, which shall state the nature of the enquiry and the reason for making the enquiry. In addition, Shareholders can contact Tricor Tengis Limited, the share registrar of the Company, for any questions about their shareholdings.

Shareholders' Right to Put Forward Proposals at General Meetings

The Companies Ordinance (Cap. 622) provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance (Cap. 622) also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. All requests shall be sent to the registered office of the Company for the attention of the Company Secretary.

INVESTOR RELATIONS

During the year ended 31 December 2014, there had been no changes in the Company's constitutional documents.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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To the shareholders of AVIC Joy Holdings (HK) Limited
(Formerly known as China Environmental Investment Holdings Limited)
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of AVIC Joy Holdings (HK) Limited (formerly known as China Environmental Investment Holdings Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 209, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY (continued)

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' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	6	**1,619,742**	1,282,780
Cost of sales		**(1,392,976)**	(1,014,931)
Gross profit		**226,766**	267,849
Other income and gain	6	**38,073**	18,711
Selling and distribution expenses		**(104,892)**	(115,031)
Administrative expenses		**(167,054)**	(159,272)
Other operating expenses, net		**(26,881)**	(1,332)
Finance costs	8	**(47,945)**	(21,964)
Gain on disposal of subsidiaries		**9,934**	–
Loss on deregistration of joint ventures		**(2,893)**	–
Gain on deemed disposal of an associate		**–**	30,367
Share of profits and losses of joint ventures		**17,275**	(285)
Share of profits and losses of associates		**(1,187)**	(12,411)
PROFIT/(LOSS) BEFORE TAX	7	**(58,804)**	6,632
Income tax expense	11	**(15,727)**	(23,053)
LOSS FOR THE YEAR		**(74,531)**	(16,421)
Attributable to:			
Owners of the parent	12	**(82,135)**	(25,417)
Non-controlling interests		**7,604**	8,996
		(74,531)	(16,421)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		**(HK1.87 cents)**	(HK0.59 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
LOSS FOR THE YEAR		**(74,531)**	(16,421)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Change in fair value		**24,934**	15,661
Share of other comprehensive income of an associate		**–**	801
Reserve released on deemed disposal of an associate		**–**	(801)
Share of other comprehensive income of joint ventures		**–**	1,298
Reserve released on deemed disposal of a joint venture		**–**	(300)
Exchange differences on translation of foreign operations		**(22,949)**	22,223
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries		**8,103**	(12,132)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**10,088**	26,750
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(64,443)**	10,329
Attributable to:			
Owners of the parent	12	**(73,097)**	(474)
Non-controlling interests		**8,654**	10,803
		(64,443)	10,329

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**342,259**	446,460
Investment properties	15	**98,823**	36,059
Prepaid land lease payments	16	**24,739**	52,184
Goodwill	17	**188,869**	150,518
Intangible assets	18	**977,949**	15,000
Investments in joint ventures	20	**133,417**	65,869
Investments in associates	21	**9,485**	–
Available-for-sale investment	23	**185,617**	160,683
Concession finance receivables	25	**137,441**	43,199
Trade receivables	26	**232,270**	22,613
Prepayments and deposits	27	**134,737**	165,992
Finance lease receivables	30	**13,971**	12,478
Loans receivable from related companies	47(b)(iv)	**33,339**	–
Total non-current assets		**2,512,916**	1,171,055
CURRENT ASSETS			
Inventories	22	**1,634**	3,030
Contract for services	24	**36,560**	–
Assets held for sale	28	**–**	23,600
Trade and bills receivables	26	**227,042**	129,440
Prepayments, deposits and other receivables	27	**191,221**	41,422
Concession finance receivables	25	**84,783**	2,015
Held-to-maturity debt securities	29	**4,410**	–
Finance lease receivables	30	**6,549**	14,335
Due from non-controlling shareholders	47(b)(i)	**35,121**	29,357
Due from joint ventures	47(b)(ii)	**97,138**	37,042
Due from an associate	47(b)(ii)	**899**	–
Loan receivable from a related company	47(b)(iv)	**–**	6,350
Pledged deposits	31	**1,904**	985,470
Cash and bank balances	31	**648,557**	382,273
Total current assets		**1,335,818**	1,654,334

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	32	**103,243**	191,496
Deferred income, other payables and accruals	33	**198,799**	79,892
Finance lease payable	35	**725**	–
Promissory notes	36	**100,000**	–
Convertible bonds	34	**51,407**	–
Interest-bearing bank and other borrowings	37	**179,747**	1,078,126
Loans from a related company	47(b)(iii)	**38,798**	–
Due to non-controlling shareholders	47(b)(i)	**3,087**	15,399
Due to a joint venture	47(b)(ii)	**5,040**	449
Due to associates	47(b)(ii)	**161**	–
Tax payable		**15,487**	16,243
Total current liabilities		**696,494**	1,381,605
NET CURRENT ASSETS		**639,324**	272,729
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,152,240**	1,443,784
NON-CURRENT LIABILITIES			
Convertible bonds	34	**375,072**	47,618
Finance lease payable	35	**2,693**	–
Interest-bearing bank and other borrowings	37	**545,500**	51,096
Loans from a related company	47(b)(iii)	**108,374**	147,179
Loans from non-controlling shareholders	47(b)(v)	**38,640**	–
Deferred tax liabilities	38	**248,351**	5,163
Deferred income and other payables	33	**382,424**	10,938
Total non-current liabilities		**1,701,054**	261,994
Net assets		**1,451,186**	1,181,790

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital: nominal value	39	**1,729,752**	876,757
Equity component of convertible bonds	34	**83,312**	21,686
Other reserves	41(a)	**(717,952)**	187,519
		1,095,112	1,085,962
Non-controlling interests		**356,074**	95,828
Total equity		**1,451,186**	1,181,790

Ji Hui
Director

Xiao Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

		Attributable to owners of the parent												
	Notes	Share capital HK$'000 (note 39)	Share premium account# HK$'000 (note 39)	Share option reserve HK$'000	Equity component of convertible bonds HK$'000 (note 34)	Available-for-sale investment revaluation reserve HK$'000	Special capital reserve HK$'000 (note 41(a))	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 41(a))	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		730,757	829,608	39,807	21,686	-	828,646	102,413	4,936	3,865	(1,614,244)	947,474	77,777	1,025,251
Loss for the year		-	-	-	-	-	-	-	-	-	(25,417)	(25,417)	8,996	(16,421)
Other comprehensive income for the year:														
Change in fair value of available–for-sale investments, net of tax		-	-	-	-	15,661	-	-	-	-	-	15,661	-	15,661
Exchange differences on translation of foreign operations		-	-	-	-	-	-	20,416	-	-	-	20,416	1,807	22,223
Share of other comprehensive income of an associate		-	-	-	-	-	-	801	-	-	-	801	-	801
Reserve released on deemed disposal of an associate		-	-	-	-	-	-	(801)	-	-	-	(801)	-	(801)
Reserve released on deregistration of subsidiaries		-	-	-	-	-	-	(12,132)	-	-	-	(12,132)	-	(12,132)
Share of other comprehensive income of joint ventures		-	-	-	-	-	-	1,298	-	-	-	1,298	-	1,298
Reserve released on deemed disposal of an interest in a joint venture		-	-	-	-	-	-	(300)	-	-	-	(300)	-	(300)
Total comprehensive income/(loss) for the year		-	-	-	-	15,661	-	9,282	-	-	(25,417)	(474)	10,803	10,329
Issue of shares	39	146,000	-	-	-	-	-	-	-	-	-	146,000	-	146,000
Share issue expenses	39	-	(4,277)	-	-	-	-	-	-	-	-	(4,277)	-	(4,277)
Equity-settled share option arrangements	40	-	-	4,101	-	-	-	-	-	-	-	4,101	-	4,101
Transfer of share option reserve upon forfeiture of share options	39	-	265	(265)	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling shareholders		-	-	-	-	-	-	-	-	-	(6,862)	(6,862)	6,862	-
Capital contribution from a non-controlling shareholder		-	-	-	-	-	-	-	-	-	-	-	1,270	1,270
Dividends declared/paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(884)	(884)
At 31 December 2013		876,757	825,596*	43,643*	21,686	15,661*	828,646*	111,695*	4,936*	3,865*	(1,646,523)*	1,085,962	95,828	1,181,790
At 1 January 2014		876,757	825,596	43,643	21,686	15,661	828,646	111,695	4,936	3,865	(1,646,523)	1,085,962	95,828	1,181,790
Loss for the year		-	-	-	-	-	-	-	-	-	(82,136)	(82,136)	7,605	(74,531)
Other comprehensive income/(loss) for the year:														
Change in fair value of available– for-sale investments, net of tax		-	-	-	-	24,934	-	-	-	-	-	24,934	-	24,934
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(23,629)	-	-	-	(23,629)	680	(22,949)
Reserve released on deregistration of subsidiaries		-	-	-	-	-	-	8,103	-	-	-	8,103	-	8,103
Total comprehensive income for the year		-	-	-	-	24,934	-	(15,526)	-	-	(82,136)	(72,728)	8,285	(64,443)
Transition to no-par value regime	39	829,461	(825,596)	-	-	-	-	-	-	(3,865)	-	-	-	-
Issue of convertible bonds	34	-	-	-	64,963	-	-	-	-	-	-	64,963	-	64,963
Issue of shares upon the exercise of convertible bonds	34	20,247	-	-	(3,337)	-	-	-	-	-	-	16,910	-	16,910
Equity-settled share option arrangements	40	-	-	993	-	-	-	-	-	-	-	993	-	993
Transfer of share option reserve upon forfeiture of share options	39	3,287	-	(3,287)	-	-	-	-	-	-	-	-	-	-
Acquisition of additional interests in subsidiaries		-	-	-	-	-	-	(149)	-	-	(560)	(709)	709	-
Deregistration of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(576)	(576)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	282,927	282,927
Disposal of subsidiaries		-	-	-	-	-	-	-	(279)	-	-	(279)	(31,099)	(31,378)
At 31 December 2014		1,729,752	-	41,349*	83,312	40,595*	828,646*	96,020*	4,657*	-*	(1,729,219)*	1,095,112	356,074	1,451,186

* These reserve accounts comprise the consolidated debit reserves of HK$717,952,000 (2013: consolidated reserves of HK$187,519,000) in the consolidated statement of financial position.

\# Included in other statutory capital reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(58,804)**	6,632
Adjustments for:			
Finance costs	8	**47,945**	21,964
Depreciation on property, plant and equipment	7	**51,650**	48,519
Depreciation on investment properties	7	**1,411**	724
Amortisation of intangible assets	7	**1,045**	1,045
Amortisation of prepaid land lease payments	7	**2,768**	4,642
Impairment of items of property, plant and equipment	7	**7,259**	11,962
Impairment loss recognised on investment properties	7	**5,649**	–
Loss on disposal of items of property, plant and equipment	7	**4,546**	1,629
Interest income	6	**(2,970)**	(1,960)
Finance income on concession finance and trade receivables	6	**(20,317)**	(3,694)
Reversal of impairment of trade receivables	7	**(1,829)**	(12,628)
Impairment of deposits and other receivables	7	**11,256**	208
Provision for slow-moving inventories	7	**–**	1,805
Equity-settled share option expense	40	**993**	4,101
Gain on deemed disposal of an associate	7	**–**	(30,367)
Loss on deregistration of joint ventures	7	**2,893**	–
Gain on deemed disposal of a joint venture	7	**–**	(4,005)
Gain on disposal of subsidiaries	7	**(9,934)**	–
Loss on disposal of an investment at fair value through profits or loss	7	**–**	161
Share of profits and losses of joint ventures		**(17,275)**	285
Share of profits and losses of associates		**1,187**	12,411
Loss on disposal of land use rights		**814**	–
		28,287	63,434
Decrease/(increase) in inventories		**24,668**	(16)
Increase in contract for services		**(36,560)**	–
Increase in trade and bills receivables	43(b)(i)	**(314,396)**	(69,243)
Increase in prepayments, deposits and other receivables		**(66,929)**	(18,023)
Decrease/(increase) in concession finance receivables	43(b)(i)	**(179,178)**	5,908
Decrease in finance lease receivables		**4,894**	1,547
Decrease in amounts due from joint ventures		**4,575**	–
Increase in amount due from an associate		**(899)**	–
Decrease in pledged deposits		**983,522**	–
Decrease in amounts due to joint ventures		**(62,029)**	(31,380)
Increase in amount due to an associate		**161**	–
Increase/(decrease) in trade and bills payables		**(94,752)**	138,615
Increase in other payables and accruals		**74,885**	28,330
Increase in deferred income		**433,460**	–
Cash generated from operations		**799,709**	119,172
Overseas taxes paid		**(16,306)**	(24,222)
Net cash flows from operating activities		**783,403**	94,950

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6	**2,970**	1,960
Purchases of items of property, plant and equipment	14,43(b)(v)	**(58,683)**	(71,123)
Purchase of assets held for sale		**–**	(23,600)
Proceeds from disposal of items of property, plant and equipment		**20,718**	31,863
Increase in prepaid land lease payments	16	**(419)**	(4,825)
Proceeds from disposal of an investment at fair value through profit or loss		**–**	3,236
Acquisition of investment properties		**246,351**	–
Acquisition of subsidiaries	42	**(46,695)**	(78,097)
Acquisition of associates	21	**(592)**	–
Disposal of subsidiaries	43(a)	**71,873**	–
Purchase of an available-for-sale investment	43(b)(iv)	**–**	(28,113)
Capital injection to joint ventures		**(57,330)**	(6,350)
Capital injection to associates		**(10,080)**	–
Increase in deposits paid for acquisition of subsidiaries		**(51,880)**	–
Investment cost received from deregistration of a joint venture		**3,652**	–
Increase in loans receivable from related companies		**(26,989)**	–
Net cash flows from/(used in) investing activities		**92,896**	(175,049)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	39	**–**	146,000
Share issue expenses	39	**–**	(4,277)
Interest paid on bank and other loans	8	**(24,312)**	(12,690)
Interest paid on convertible bonds	34	**(1,036)**	(1,036)
Interest paid on loans from shareholders	8	**(8,864)**	(5,250)
Repayment of bank loans		**(989,908)**	(125,973)
Repayment of other loans		**(6,048)**	–
New bank and other loans		**244,477**	124,206
Repayment of loan from a shareholder		**(108,382)**	–
Repayment of loan from a related company		**–**	(114,573)
Loan from a related company		**–**	110,815
Loan from a shareholder		**108,374**	–
Capital contribution from a non-controlling shareholder		**–**	1,270
Advance from non-controlling shareholders, net		**(17,771)**	9,639
Dividends paid to non-controlling shareholders		**–**	(884)
Issue of convertible bonds for cash		**175,000**	–
New finance leases		**3,880**	–
Repayment of finance leases		**(462)**	–
Net cash flows from/(used in) financing activities		**(625,052)**	127,247

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	2014	2013
	HK$'000	HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**251,247**	47,148
Cash and cash equivalents at beginning of year	**409,349**	353,838
Effect of foreign exchange rate changes, net	**(10,135)**	8,363
CASH AND CASH EQUIVALENTS AT END OF YEAR	**650,461**	409,349
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the consolidated statement of financial position	**648,557**	382,273
Pledged time deposits with original maturity of less than three months when acquired	**1,904**	27,076
Cash and cash equivalents as stated in the consolidated statement of cash flows	**650,461**	409,349

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,243**	849
Investments in subsidiaries	19	**1,291,955**	890,795
Loan receivable from a related company	47(b)(iv)	**30,000**	–
Total non-current assets		**1,326,198**	891,644
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**10,558**	1,049
Due from subsidiaries	19	**78,619**	78,619
Cash and bank balances	31	**73,495**	73,603
Total current assets		**162,672**	153,271
CURRENT LIABILITIES			
Other payables and accruals	33	**7,242**	2,830
Loans from a related company	47(b)(iii)	**38,798**	–
Finance lease payable	35	**725**	–
Convertible bonds	34	**51,407**	–
Promissory notes	36	**100,000**	–
Interest-bearing bank and other borrowings	37	**2,150**	2,150
Due to a subsidiary	19	**118,407**	62,230
Total current liabilities		**318,729**	67,210
NET CURRENT ASSETS/(LIABILITIES)		**(156,057)**	86,061
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,170,141**	977,705
NON-CURRENT LIABILITIES			
Finance lease payable	35	**2,693**	–
Convertible bonds	34	**375,072**	47,618
Loans from a related company	47(b)(iii)	**108,374**	147,179
Total non-current liabilities		**486,139**	194,797
Net assets		**684,002**	782,908
EQUITY			
Share capital: nominal value	39	**1,729,752**	876,757
Equity component of convertible bonds	34	**72,144**	10,518
Other reserves	41(b)	**(1,117,894)**	(104,367)
Total equity		**684,002**	782,908

Ji Hui
Director

Xiao Wei
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

AVIC Joy Holdings (HK) Limited (formerly known as China Environmental Investment Holdings Limited) is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room A02, 35/F, United Centre, 95 Queensway, Hong Kong.

During the year, the Group was principally involved in the operation of compressed natural gas ("CNG"), liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") refueling stations, management and operation of light-emitting diode ("LED") energy management contracts ("EMC"), provision of finance lease and loan services and provision of land development services in the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, 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 Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for an available-for-sale investment, which has been measured at fair value. Assets held for sale for the year ended 31 December 2013 were stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 3. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as those of the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls on investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Other than explained below regarding the impact of HKAS 32 Amendments, HKFRS 2 Amendment, HKFRS 3 Amendment and HKFRS 13 Amendment, the adoption of the revised standards and new interpretation has had no significant financial effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(b) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(c) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(d) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Amendments to HKAS 1	*Disclosure Initiaitve*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company's first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 31 December 2015. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

The *Annual Improvements to HKFRSs 2010-2012* Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The result of the subsidiary is included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary that are not classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in associates or investments in joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or investments in joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its equity investment at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation technique for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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:

Land and buildings	2% or over the lease terms, whichever is shorter
Leasehold improvements	4% to 20% or over the lease terms, whichever is shorter
Plant and machinery	10% to 20%
Furniture and fixtures	15% to 25%
Motor vehicles	10% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas stations under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and building (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life at an annual rate of 2%. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Any gains or losses on the retirement or disposal of investment properties are recognised in the statement of profit or loss in the year of the retirement or disposal.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held for sale

Assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sales in their present condition subject only to terms that are usual and customary for the sales of such assets or disposal groups and their sale must be highly probable.

Assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Land development contract

Land development contract is stated at cost less any impairment losses and is amortised on the output-based basis over its estimated useful life.

Service contract

Service contract is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated life of 16 years.

Franchise

Purchased franchise is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated life of 20 years.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at investment at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss for receivables.

Held-to-maturity debt securities

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity debt securities are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, when the cumulative gain or loss is reclassified from the available-for-sale investments revaluation reserve to the statement of profit or loss in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the statement of profit or loss. Interest earned whilst holding the available-for-sale financial investments are reported as interest income, respectively and are recognised in the statement of profit or loss in accordance with the policy set out for "Revenue recognition" below.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, on amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive Income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, accruals and other payables, amounts due to an associate, a joint venture and non-controlling shareholders, loans from a related company and non-controlling shareholders, promissory notes, convertible bonds, finance lease payable and interest-bearing loans and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the 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.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories represent finished goods and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, 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 statements of financial position, cash and bank balances comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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 petroleum, CNG, LPG, LNG and gas-related products, 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 concession arrangements, under the financial assets model, as further explained in the accounting policy for "Concession arrangements";

(c) from the rendering of services, when the services have been rendered;

(d) commission income is recognised when the services has been rendered;

(e) government grants is recognised upon cash receipt and when all the relating conditions have been fulfilled;

(f) rental income, on a time proportion basis over the lease terms; and

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

Land development contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments for land development service. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price land development contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land development contracts (continued)

Revenue from cost plus land development contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of LED EMC services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concession financial assets

The Group constructs or upgrades infrastructure (construction services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include infrastructure used in a public-to-private service concession arrangement for its entire useful life. These arrangements are accounted for based on the nature of the consideration. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If the Group performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method. Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

Concession arrangements

The Group manages concession arrangements which include the construction of LED streetlight infrastructure followed by a period during which the Group maintains and services the infrastructure. This may also include, in the secondary period, asset replacement or refurbishment. These concession arrangements set out rights and obligations relative to the infrastructure and the service to be provided.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concession arrangements (continued)

For fulfilling those obligations, the Group is entitled to receive either cash from the grantor or a contractual right to charge the users of the service. The consideration received or receivable is allocated by reference to the relative fair values of the construction, operating and maintaining services provided, which are typically being:

- A construction component

- A service element for operating and maintenance services performed

As set out above, the right to consideration gives rise to a financial asset:

- Revenue from the concession arrangements earned under the financial asset model consists of (i) the fair value of the amount due from the grantor; and (ii) the interest income related to the capital investment in the project.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 40 to the financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

Other employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes and other retirement benefits (continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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 judgement. 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.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property. 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 this property which is leased out on an operating lease.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill on the acquisition of subsidiaries at 31 December 2014 was HK$188,869,000 (2013: HK$150,518,000). Further details on the impairment testing of goodwill on acquisition of subsidiaries are given in note 17 to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties (continued)

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties measured under the cost model at 31 December 2014 was HK$98,823,000 (2013: HK$36,059,000). Further details, including the key assumptions used for director's estimation of fair value, are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Accordingly, a provision for impairment of property, plant and equipment of HK$7,259,000 (2013: HK$11,962,000) was charged to the consolidated statement of profit or loss during the year. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2014 were HK$342,259,000 (2013: HK$446,460,000) and HK$4,243,000 (2013: HK$849,000), respectively. The carrying amount of the Group's investment properties at 31 December 2014 was HK$98,823,000 (2013: HK$36,059,000). More details are given in notes 14 and 15 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 judgement 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 estimated amounts of unrecognised tax losses arising in Hong Kong and in Mainland China were approximately HK$146,235,000 (2013: HK$146,235,000) and HK$117,841,000 (2013: HK$87,865,000), respectively, as at 31 December 2014. Further details are given in note 38 to the financial statements.

Trade receivables

The Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, their creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance, and its future results would be affected.

The consideration for the trading of LED lights are under the financial asset component, if any, requires the Group to make an estimate of a number of factors such as ageing of its trade receivables, debtors' credit worthiness and past repayment history, which include the future guaranteed receipts and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The Group allows certain customers to make payments in equal monthly, bimonthly or quarterly instalments over a period ranging from five to fifteen years. Any revision to such estimates and discount rate as additional information may affect the carrying amounts of trade receivables. For the year ended 31 December 2014, the discount rate applied was approximately 15% (2013: 15%) per annum.

As at 31 December 2014, trade receivables due after one year and due within one year were HK$232,270,000 (2013: HK$22,613,000) and HK$227,042,000 (2013: HK$ 129,440,000), respectively.

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31 December 2014

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Finance lease receivables

To apply finance lease accounting, a number of assumptions in the lease models have been made, such as the determination of minimum lease payments, implicit interest rates and residual values of the certain equipment at the end of the lease period. When the estimates of these factors are different from the original estimates, such differences will affect the carrying amounts of finance lease receivables. The carrying amount of finance lease receivables as at 31 December 2014 was HK$20,520,000 (2013: HK$26,813,000). Further details are given in note 30 to the financial statements.

Impairment of deposits and other receivables

The Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, their creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance, and its future results would be affected.

As at 31 December 2014, the directors had conducted impairment testing on the Group's deposits and other receivables, and considered the status of recoverability of certain of these balances based on the financial position of the respective counterparties or the collection of some of the receivables which were provided in prior years. Accordingly, a provision for impairment of deposits and other receivables of HK$11,256,000 (2013: HK$208,000) was charged to the consolidated statement of profit or loss during the year.

The net carrying amounts of the Group's and the Company's deposits and other receivables at 31 December 2014 were HK$203,806,000 (2013: HK$158,006,000) and HK$10,058,000 (2013: HK$534,000), respectively. Further details are given in note 27 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives and residual values of items of property, plant and equipment, and investment properties

In determining the useful lives and residual values of items of property, plant and equipment, and investment properties, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is required if the estimated useful lives and/or the residual values of items of property, plant and equipment, and investment properties are different from previous estimates. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances.

Impairment of intangible assets

Intangible assets are comprised of land development contract, service contract and franchise right.

Land development contract is stated at the present value of contract income attributable to the subject construction contract that is necessary to the realisation of the cash flows by applying a discount rate representing the weighted average cost of capital required under Multi-Period Excess Earnings Method for the land development project.

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of intangible assets (continued)

The Group amortises its intangible assets with a finite useful life on a straight-line basis over their estimated useful lives or output basis over the expected completion date of the land development project. The estimated useful lives reflect the management's estimate of the period that the Group intends to derive future economic benefits from the use of these intangible assets.

The carrying amount of intangible assets as at 31 December 2014 was HK$977,949,000 (2013: HK$15,000,000). Further details are set out in note 18 to the financial statements.

Impairment of contract for services

The Group determines whether the outcome of the contract for services can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work completed/certified and the assessment of the probability of the future economic flows to the Group. The carrying amount of contract for services as at 31 December 2014 was HK$36,560,000 (2013: Nil). Further details are set out in note 24 to the financial statements.

Allowances for inventory obsolescence

Allowance for inventory obsolescence is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, and estimated costs to be incurred for their sales. The allowances are re-evaluated and adjusted as additional information received affects the amount estimated. In the prior year, a provision for slow-moving inventories of HK$1,805,000 was charged to the consolidated statement of profit or loss during that year. The carrying amount of the Group's inventories as of 31 December 2014 was HK$1,634,000 (2013: HK$3,030,000), respectively.

NOTES TO FINANCIAL STATEMENTS
31 December 2014

5. SEGMENT INFORMATION

For management purposes, the Group is divided into operating segments based on their products and services and has four reporting segments as follows:

(a) Sales of CNG, LPG, LNG and petroleum products of the Group's gas station operation;

(b) Management and operation of LED EMC;

(c) Provision of finance lease and loan services; and

(d) Provision of land development services.

Segment performance is evaluated based on operating profit, which is a measure of adjusted reportable segment profit 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, loss on disposal of an investment at fair value through profit or loss, gain on deemed disposal of an associate and a joint venture, gain on disposal of subsidiaries, loss on deregistration of joint ventures, share of profits and losses of joint ventures and associates, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents, an available-for-sale investment and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, promissory notes, 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.

For the presentation of the Group's geographical information, revenues and result information is based on the locations of the customers, and asset information is based on the locations of the assets. As the Group's major operations and markets are located in Mainland China, no further geographical information is provided.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Sales of CNG, LPG, LNG and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services HK$'000	Provision of land development services HK$'000	Total HK$'000
Segment revenue:					
Revenue from external customers	1,440,010	177,222	–	–	1,617,232
Interest revenue	–	–	2,510	–	2,510
Intersegment revenue	–	–	10,079	–	10,079
	1,440,010	177,222	12,589	–	1,629,821
Reconciliation:					
Elimination of intersegment revenue					(10,079)
Revenue					1,619,742
Segment results	9,090	(14,214)	(1,401)	(2,517)	(9,042)
Reconciliation:					
Interest income					2,970
Gain on disposal of subsidiaries	9,934	–	–	–	9,934
Loss on deregistration of joint ventures	(2,893)	–	–	–	(2,893)
Share of profits and losses of joint ventures	17,275	–	–	–	17,275
Share of profits and losses of associates	(1,187)	–	–	–	(1,187)
Finance costs					(47,945)
Corporate and other unallocated expenses					(27,916)
Loss before tax					(58,804)
Income tax expense					(15,727)
Loss for the year					(74,531)

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Sales of CNG, LPG, LNG and petroleum products	Management and operation of LED EMC	Provision of finance lease and loan services	Provision of land development services	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	970,865	833,738	399,582	1,188,207	3,392,392
Reconciliation:					
Elimination of intersegment receivables					(428,973)
Held-to-maturity debt securities					4,410
Corporate and other unallocated assets					880,905
Total assets					3,848,734
Segment liabilities	189,387	774,838	74,053	320,918	1,359,196
Reconciliation:					
Elimination of intersegment payables					(428,973)
Corporate and other unallocated liabilities					1,467,325
Total liabilities					2,397,548
Other segment information:					
Share of profits and losses of:					
Joint ventures	17,275	–	–	–	17,275
Associates	(1,187)	–	–	–	(1,187)
Impairment losses/provision recognised in the statement of profit or loss	24,164	–	–	–	24,164
Impairment losses reversed in the statement of profit or loss	(1,829)	–	–	–	(1,829)
Depreciation and amortisation	52,858	3,391	139	–	56,388
Investments in joint ventures	133,417	–	–	–	133,417
Investments in associates	9,485	–	–	–	9,485
Capital expenditure*	51,335	2,130	3,082	1,010,696	1,067,243

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2013

	Sales of CNG, LPG, LNG and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services HK$'000	Total HK$'000
Segment revenue:				
Revenue from external customers	1,241,453	38,594	–	1,280,047
Interest revenue	–	–	2,733	2,733
Intersegment revenue	–	–	6,154	6,154
	1,241,453	38,594	8,887	1,288,934
Reconciliation:				
Elimination of intersegment revenue				(6,154)
Revenue				1,282,780
Segment results	58,230	(15,895)	(5,043)	37,292
Reconciliation:				
Interest income				1,960
Gain on deemed disposal of an associate				30,367
Gain on deemed disposal of a joint venture	4,005	–	–	4,005
Loss on disposal of an investment at fair value through profit or loss	(161)	–	–	(161)
Finance costs				(21,964)
Corporate and other unallocated expenses				(44,867)
Profit before tax				6,632
Income tax expense				(23,053)
Loss for the year				(16,421)

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2013

	Sales of CNG, LPG, LNG and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services HK$'000	Total HK$'000
Segment assets	969,956	283,265	204,420	1,457,641
Reconciliation:				
Elimination of intersegment receivables				(162,605)
Assets held for sale				23,600
Corporate and other unallocated assets				1,506,753
Total assets				2,825,389
Segment liabilities	187,753	273,120	10,973	471,846
Reconciliation:				
Elimination of intersegment payables				(162,605)
Corporate and other unallocated liabilities				1,334,358
Total liabilities				1,643,599
Other segment information:				
Share of profits and losses of:				
Joint ventures	(285)	–	–	(285)
Associates				(12,411)
Impairment losses/provision recognised in the statement of profit or loss	13,975	–	–	13,975
Impairment losses reversed in the statement of profit or loss	(12,628)	–	–	(12,628)
Depreciation and amortisation	51,817	2,512	132	54,461
Investments in joint ventures	65,869	–	–	65,869
Capital expenditure*	73,927	53,254	435	127,616

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

6. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents sales of CNG, LPG, LNG and petroleum products from the operation of gas stations, income from management and operation of LED EMC and interest income on finance leases and loans during the year.

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

	2014	2013
	HK$'000	HK$'000
Revenue		
Sales of CNG, LPG, LNG and petroleum products	**1,440,010**	1,241,453
Operation revenue of LED EMC	**177,222**	38,594
Interest income on finance leases and loans	**2,510**	2,733
	1,619,742	1,282,780
Other income		
Interest income	**2,970**	1,960
Commission income	**–**	1,621
Trading of petroleum and gas-related products	**384**	364
Finance income on concession finance and trade receivables	**20,317**	3,694
Government grants received*	**4,707**	3,418
Gross rental income	**2,873**	3,649
Forfeited deposit	**1,260**	–
Others	**5,562**	–
	38,073	14,706
Gain		
Gain on deemed disposal of a joint venture	**–**	4,005
	38,073	18,711

* Various government grants have been received to subsidise the operation of the Group's gas stations in various provinces in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2014** **HK$'000**	2013 HK$'000
Cost of inventories sold*		**1,191,888**	943,309
Construction and operation costs of LED EMC*		**182,033**	27,083
Cost of finance lease and loan services provided*		**72**	107
Auditors' remuneration		**2,760**	3,630
Depreciation on property, plant and equipment	14	**51,650**	48,519
Depreciation on investment properties	15	**1,411**	724
Amortisation of prepaid land lease payments	16	**2,768**	4,642
Amortisation of intangible assets	18	**1,045**	1,045
Gain on deemed disposal of a joint venture		**–**	(4,005)
Gain on deemed disposal of an associate		**–**	(30,367)
Gain on disposal of subsidiaries		**(9,934)**	–
Loss on deregistration of joint ventures		**2,893**	–
Loss on disposal of items of property, plant and equipment**		**4,546**	1,629
Loss on disposal of an investment at fair value through profit or loss**		**–**	161
Impairment of items of property, plant and equipment**	14	**7,259**	11,962
Impairment of items of investment properties**	15	**5,649**	–
Reversal of impairment of trade receivables**	26	**(1,829)**	(12,628)
Impairment of deposits and other receivables**	27	**11,256**	208
Provision for slow-moving inventories*		**–**	1,805
Loss on disposal of land use rights		**814**	–
Minimum lease payments under operating leases in respect of land and buildings		**26,802**	28,532
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages, salaries, allowances and benefits in kind		**114,346**	120,930
Equity-settled share option expense		**503**	2,543
Pension scheme contributions		**148**	153
		114,997	123,626
Rental income less direct operating expenses of Nil (2013: HK$478,000)		**(2,873)**	(3,171)
Foreign exchange differences, net		**608**	(7,139)

NOTES TO FINANCIAL STATEMENTS

31 December 2014

7. PROFIT/(LOSS) BEFORE TAX (continued)

* Cost of sales disclosed on the face of the consolidated statement of profit or loss comprises cost of inventories sold, wages and salaries and allowances of HK$8,241,000 (2013: HK$12,329,000) disclosed under employee benefit expense and depreciation charges of HK$10,742,000 (2013: HK$30,298,000) above.

** Included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

8. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2014 HK$'000	2013 HK$'000
Interest on loans/bonds wholly repayable within five years:		
Bank loans	24,312	12,690
Other loans	8,864	5,250
Convertible bonds (note 34)	14,769	4,472
	47,945	22,412
Less: interest capitalised	–	(448)
	47,945	21,964

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014	2013
	HK$'000	HK$'000
Fees:		
Executive directors	**180**	180
Non-executive director	**1,692**	1,692
Independent non-executive directors	**266**	180
	2,138	2,052
Other emoluments (executive directors):		
Salaries, allowances and benefits in kind	**3,397**	3,028
Equity-settled share option expense	**490**	1,558
Pension scheme contributions	**42**	45
	3,929	4,631
	6,067	6,683

Two directors were granted share options on 13 June 2012, in respect of his service to the Group, under the share option scheme of the Company, further details of which are set out in note 40 to the financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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9. 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:

	2014	2013
	HK$'000	HK$'000
Wang Zhonghua	**80**	60
Zhong Qiang	**80**	60
Hu Xiaowen	**60**	60
Gong Changhui	**24**	–
Wu Meng	**22**	–
	266	180

Mr. Gong Changhui and Mr. Wu Meng were appointed as independent non-executive directors on 11 August 2014 and 19 August 2014, respectively.

Mr. Wang Zhonghua and Mr. Zhong Qiang were appointed as independent non-executive directors on 13 January 2005 and 1 February 2005, respectively, and both subsequently retired as independent non-executive directors on 27 Jun 2014.

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and a non-executive director

2014	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Non-executive director:					
Ji Guirong	1,692	–	–	–	1,692
Executive directors:					
Ji Hui	36	1,194	–	17	1,247
Zang Zheng	36	227	–	–	263
Zhang Chuanjun	36	600	–	17	653
Zhang Ning	18	420	377	8	823
Xiao Wei	36	423	–	–	459
Wang Xiaowei	18	533	113	–	664
	180	3,397	490	42	4,109
	1,872	3,397	490	42	5,801

NOTES TO FINANCIAL STATEMENTS

31 December 2014

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and a non-executive director (continued)

2013	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Non-executive director:					
Ji Guirong	1,692	–	–	–	1,692
Executive directors:					
Ji Hui	36	1,189	–	15	1,240
Zang Zheng	36	–	–	–	36
Zhang Chuanjun	36	600	–	15	651
Zhang Ning	36	840	1,558	15	2,449
Xiao Wei	36	399	–	–	435
	180	3,028	1,558	45	4,811
	1,872	3,028	1,558	45	6,503

Mr. Zhang Ning was appointed as an executive director on 12 May 2012 and subsequently resigned as an executive director on 27 Jun 2014.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2013: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2013: two) highest paid employees who are not directors of the Company are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,906**	4,704
Pension scheme contributions	**–**	–
	1,906	4,704

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

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**2**	1
HK$3,000,001 to HK$4,000,000	**–**	1
	2	2

NOTES TO FINANCIAL STATEMENTS

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11. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2014	2013
	HK$'000	HK$'000
Group:		
Current – Mainland China		
Charge for the year	**13,539**	19,851
Underprovision in prior years	**–**	1,763
Deferred (note 38)	**2,188**	1,439
	15,727	23,053

11. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year at effective rates is as follows:

	2014					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(101,740)		42,936		(58,804)	
Tax at the statutory tax rates	(16,787)	16.5	10,734	25.0	(6,053)	10.3
Effect of withholding tax at 5% or 10% on the distributable profits of the Group's PRC subsidiaries	–	–	2,188	5.1	2,188	(3.7)
Income not subject to tax	(402)	0.4	(13,248)	(30.9)	(13,650)	23.2
Expenses not deductible for tax	17,189	(16.9)	10,479	24.4	27,668	(47.1)
Utilisation of tax losses previously not recognised	–	–	(2,168)	(5.0)	(2,168)	3.7
Tax losses not recognised	–	–	7,494	17.5	7,494	(12.7)
Others	–	–	248	0.6	248	(0.4)
Tax charge at the Group's effective rate	–	–	15,727	36.7	15,727	(26.7)

NOTES TO FINANCIAL STATEMENTS

31 December 2014

11. INCOME TAX (continued)

	2013					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(25,101)		31,733		6,632	
Tax at the statutory tax rates	(4,142)	16.5	7,933	25.0	3,791	57.2
Effect of withholding tax at 5% or 10% on the distributable profits of the Group's PRC subsidiaries	–	–	1,439	4.5	1,439	21.7
Profits and losses attributable to joint ventures and an associate	–	–	(71)	(0.2)	(71)	(1.2)
Prior year underprovision	–	–	1,763	5.6	1,763	26.6
Income not subject to tax	(1)	–	(13,130)	(41.4)	(13,131)	(197.9)
Expenses not deductible for tax	4,143	(16.5)	18,425	58.1	22,568	340.3
Tax losses not recognised	–	–	7,095	22.4	7,095	107.0
Others	–	–	(401)	(1.4)	(401)	(6.1)
Tax charge at the Group's effective rate	–	–	23,053	72.6	23,053	347.6

Certain subsidiaries of the Group in Mainland China were eligible for exemption from corporate income tax ("CIT") for two years starting from the first year in which assessable profits were generated, and a 50% exemption from CIT for the following three years.

The share of tax attributable to joint ventures amounting to HK$8,298,000 (2013: HK$832,000) is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

12. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2014 includes a loss of HK$181,772,000 (2013: HK$13,377,000) which has been dealt with in the financial statements of the Company (note 41(b)).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$82,135,000 (2013: HK$25,417,000), and the weighted average number of ordinary shares of 4,386,248,292 (2013: 4,329,782,539) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014								
At 31 December 2013 and 1 January 2014:								
Cost		201,425	1,395	240,148	45,059	132,629	25,204	645,860
Accumulated depreciation and impairment		(38,822)	(854)	(87,669)	(13,041)	(59,014)	–	(199,400)
Net carrying amount		162,603	541	152,479	32,018	73,615	25,204	446,460
At 1 January 2014, net of accumulated depreciation and impairment		162,603	541	152,479	32,018	73,615	25,204	446,460
Additions		18,616	–	4,544	1,346	17,804	39,651	81,961
Disposals		(24,346)	(141)	(10,880)	(509)	(1,106)	(11,557)	(48,539)
Acquisition of subsidiaries	42	–	–	–	1,744	–	–	1,744
Disposal of subsidiaries	43	(9,240)	–	(2,074)	(23,032)	(12,307)	(29,604)	(76,257)
Transfers		992	–	2,800	–	–	(3,792)	–
Impairment	7	(1,384)	–	(3,614)	–	–	(2,261)	(7,259)
Depreciation provided during the year	7	(7,527)	(132)	(22,221)	(2,263)	(19,507)	–	(51,650)
Exchange realignment		(1,280)	(4)	(1,150)	(903)	(584)	(280)	(4,201)
At 31 December 2014, net of accumulated depreciation and impairment		138,434	264	119,884	8,401	57,915	17,361	342,259
At 31 December 2014:								
Cost		177,434	1,209	208,876	16,761	122,256	17,361	543,897
Accumulated depreciation and impairment		(39,000)	(945)	(88,992)	(8,360)	(64,341)	–	(201,638)
Net carrying amount		138,434	264	119,884	8,401	57,915	17,361	342,259

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013								
At 1 January 2013:								
Cost		142,793	1,691	206,383	40,366	137,694	40,710	569,637
Accumulated depreciation and impairment		(31,959)	(812)	(63,931)	(10,652)	(55,928)	–	(163,282)
Net carrying amount		110,834	879	142,452	29,714	81,766	40,710	406,355
At 1 January 2013, net of accumulated depreciation and impairment		110,834	879	142,452	29,714	81,766	40,710	406,355
Additions		2,260	473	9,327	4,008	17,806	37,697	71,571
Disposals		(291)	(527)	(1,022)	(29)	(12,230)	(19,393)	(33,492)
Acquisition of subsidiaries	42	51,345	–	–	23	10	–	51,378
Transfers		621	–	26,286	–	–	(26,907)	–
Impairment	7	–	–	(3,823)	–	–	(8,139)	(11,962)
Depreciation provided during the year	7	(6,090)	(287)	(24,022)	(2,402)	(15,718)	–	(48,519)
Exchange realignment		3,924	3	3,281	704	1,981	1,236	11,129
At 31 December 2013, net of accumulated depreciation and impairment		162,603	541	152,479	32,018	73,615	25,204	446,460
At 31 December 2013:								
Cost		201,425	1,395	240,148	45,059	132,629	25,204	645,860
Accumulated depreciation and impairment		(38,822)	(854)	(87,669)	(13,041)	(59,014)	–	(199,400)
Net carrying amount		162,603	541	152,479	32,018	73,615	25,204	446,460

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2014				
At 31 December 2013 and 1 January 2014:				
Cost	–	1,126	627	1,753
Accumulated depreciation	–	(548)	(356)	(904)
Net carrying amount	–	578	271	849
At 1 January 2014, net of accumulated depreciation	–	578	271	849
Additions	–	–	3,880	3,880
Depreciation provided during the year	–	(231)	(255)	(486)
At 31 December 2014, net of accumulated depreciation	–	347	3,896	4,243
At 31 December 2014:				
Cost	–	1,126	4,507	5,633
Accumulated depreciation	–	(779)	(611)	(1,390)
Net carrying amount	–	347	3,896	4,243

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013				
At 1 January 2013:				
Cost	790	985	627	2,402
Accumulated depreciation	(132)	(353)	(230)	(715)
Net carrying amount	658	632	397	1,687
At 1 January 2013, net of accumulated depreciation	658	632	397	1,687
Additions	–	158	–	158
Disposals	(527)	–	–	(527)
Depreciation provided during the year	(131)	(212)	(126)	(469)
At 31 December 2013, net of accumulated depreciation	–	578	271	849
At 31 December 2013:				
Cost	–	1,126	627	1,753
Accumulated depreciation	–	(548)	(356)	(904)
Net carrying amount	–	578	271	849

NOTES TO FINANCIAL STATEMENTS

31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land and buildings with a net carrying amount of HK$138,434,000 (2013: HK$162,603,000) are situated in Mainland China and are held under medium term leases.

As at 31 December 2014, the net carrying amounts of the Group's property, plant and equipment held under finance leases including in motor vehicles amounted to HK$3,751,000 (2013: Nil).

As at 31 December 2013, the Group's buildings with total net carrying values of approximately HK$51,587,000 were pledged to secure bills payable granted to the Group as at 31 December 2013 (note 32) and plant and machinery with total net carrying value of approximately HK$35,032,000 were pledged to secure certain bank loans granted to the Group as at 31 December 2013 (note 37(a)).

The directors had conducted impairment testing on the Group's property, plant and equipment, and they considered that the carrying amounts of certain plant and equipment are in excess of their recoverable amounts as a result of the continuing operating losses of certain subsidiaries. Accordingly, a provision for impairment of HK$7,259,000 (2013: HK$11,962,000) was charged to the consolidated statement of profit or loss as at 31 December 2014 (note 7).

15. INVESTMENT PROPERTIES

Group

	Notes	HK$'000
31 December 2014		
At 31 December 2013 and 1 January 2014:		
Cost		38,382
Accumulated depreciation		(2,323)
Net carrying amount		36,059
At 1 January 2014, net of accumulated depreciation		36,059
Addition during the year		46,695
Transferred from assets held for sale		23,600
Impairment provided during the year	7	(5,649)
Depreciation provided during the year	7	(1,411)
Exchange realignment		(471)
At 31 December 2014, net of accumulated depreciation and impairment		98,823
At 31 December 2014:		
Cost		109,468
Accumulated depreciation and impairment		(10,645)
Net carrying amount		98,823

NOTES TO FINANCIAL STATEMENTS

31 December 2014

15. INVESTMENT PROPERTIES (continued)

Group

	Notes	HK$'000
31 December 2013		
At 1 January 2013:		
Cost		7,351
Accumulated depreciation		(1,564)
Net carrying amount		5,787
At 1 January 2013, net of accumulated depreciation		5,787
Acquisition of subsidiaries	42	30,125
Depreciation provided during the year	7	(724)
Exchange realignment		871
At 31 December 2013, net of accumulated depreciation		36,059
At 31 December 2013:		
Cost		38,382
Accumulated depreciation		(2,323)
Net carrying amount		36,059

The Group's investment properties of HK$98,823,000 (2013: HK$36,059,000) are situated in Mainland China and are held under medium term leases.

At 31 December 2013, the Group's investment properties with a carrying value of HK$30,259,000 were pledged to secure bills payable (note 32).

15. INVESTMENT PROPERTIES (continued)

Details of the investment properties at the end of the reporting period are as follows:

Location	**Use**	**Tenure**	**Attributable interest of the Group**
Rooms 808-809, Jinma Building, Xue Qing Road, Hai Dian District, Beijing	Office	Medium term lease	69.4% (a)
Rooms 103-106, 699 Xinhua Road, Xinhua Ja Li Building, Shanghai	Office	Medium term lease	100% (a)
Rooms 201-208, 699 Xinhua Road, Xiuhua Ja Li Building, Shanghai	Office	Medium term lease	100% (a)
Rooms B9-07, B9-09 to B9-13 and C9-04, 180 Quan Cheng Road, Lixia Qu, Jinan Shi Shandong	Office	Medium term lease	100% (b)

(a) As at 31 December 2014, the directors, with reference to Asset Appraisal Limited, independent professionally qualified valuers, estimated that the fair value of the investment properties to be HK$97,348,000.

(b) As at 31 December 2014, the directors, with reference to Shandong Daoqin Asset Appraisal Company Limited, independent professionally qualified valuers, estimated that the fair value of the investment properties to be HK$17,294,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Commercial properties	-	114,642	-	114,642

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As the investment properties are measured initially at cost less accumulated depreciation and provision for any impairment on value, there is no movement of fair value measurements categorised within Level 3 of the fair value hierarchy.

Under the direct comparison method, fair value is estimated by comparing the properties with the recent sales of similar properties which have been sold in the area.

16. PREPAID LAND LEASE PAYMENTS

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		**56,006**	54,505
Recognised during the year	7	**(2,768)**	(4,642)
Additions for the year		**–**	4,825
Disposal of subsidiaries	43(a)	**(24,832)**	–
Exchange realignment		**(1,379)**	1,318
Carrying amount at 31 December		**27,027**	56,006
Current portion included in prepayments, deposits and other receivables		**(2,288)**	(3,822)
Non-current portion		**24,739**	52,184

The leasehold land is held under long term leases and situated in Mainland China.

In the prior year, the Group's prepaid land lease payments with a carrying value of HK$24,275,000 were pledged to secure certain bank loans granted to the Group (note 37(a)).

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31 December 2014

17. GOODWILL

Group

	Notes	HK$'000
At 1 January 2013:		
Cost		222,258
Accumulated impairment		(71,740)
At 31 December 2013		150,518
Cost at 1 January 2014		150,518
Acquisition of subsidiaries	42	39,649
Disposal of subsidiaries	43(a)	(1,298)
Cost and carrying amount net of accumulated impairment at 31 December 2014		188,869
At 31 December 2014:		
Cost		260,609
Accumulated impairment		(71,740)
Net carrying amount		188,869

17. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to (i) the gas station operation; (ii) the provision of finance lease and loan services; and (iii) the provision of land development services cash-generating units for impairment testing.

The recoverable amount of the gas station operation cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 18-year period. The discount rate applied to cash flow projections is 13.02% (2013: 13.02%).

The recoverable amount of the provision of finance lease and loan services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 9-year period. The discount rate applied to cash flow projections is 16.05% (2013: 16.05%).

The recoverable amount of the provision of land development services cash-generating unit has been determined based on the present value of contract income attributable to the subject land development contract that is necessary to the realisation of the cash flows by applying a discount rate representing the weighted average cost of capital required under Multi-Period Excess Earnings Method for the land development project. According to the profit forecast prepared by management, the profit generated from the land development contract with a discount rate of 22.31% is HK$112,092,000.

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are as follows:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the past performance of the unit and management's expectations of market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

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18. INTANGIBLE ASSETS

Group

	Land development contract HK$'000	Service contract HK$'000	Franchise HK$'000	Total HK$'000
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation	–	14,086	914	15,000
Acquisition of subsidiaries (note 42)	964,000	–	–	964,000
Amortisation provided during the year (note 7)	–	(994)	(51)	(1,045)
Exchange realignment	–	–	(6)	(6)
At 31 December 2014	964,000	13,092	857	977,949
At 31 December 2014:				
Cost	964,000	15,909	1,009	980,918
Accumulated amortisation	–	(2,817)	(152)	(2,969)
Net carrying amount	964,000	13,092	857	977,949

18. INTANGIBLE ASSETS (continued)

Group

	Service contract HK$'000	Franchise HK$'000	Total HK$'000
31 December 2013			
Cost at 1 January 2013, net of accumulated amortisation	15,080	942	16,022
Amortisation provided during the year (note 7)	(994)	(51)	(1,045)
Exchange realignment	–	23	23
At 31 December 2013	14,086	914	15,000
At 31 December 2013:			
Cost	15,909	1,016	16,925
Accumulated amortisation	(1,823)	(102)	(1,925)
Net carrying amount	14,086	914	15,000

NOTES TO FINANCIAL STATEMENTS

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19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**99,410**	99,410
Due from subsidiaries	**1,542,650**	998,822
Loans to a subsidiary	**108,185**	108,185
	1,750,245	1,206,417
Impairment on unlisted shares#	**(71,740)**	(71,740)
Impairment on amounts due from subsidiaries#	**(386,550)**	(243,882)
	1,291,955	890,795

\# Impairments of HK$71,740,000 (2013: HK$71,740,000) and HK$386,550,000 (2013: HK$243,882,000) were recognised for the unlisted investments in certain subsidiaries with a carrying amount of HK$99,410,000 (2013: HK$99,410,000) (before deducting impairment loss) and the amounts due from subsidiaries with a carrying amount of HK$1,542,650,000 (2013: HK$998,822,000) (before deducting impairment loss), respectively, as a result of the continuing non-performance of the businesses of those subsidiaries.

The amounts due from subsidiaries of HK$1,542,650,000 (2013: HK$998,822,000) are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these balances are not repayable within one year and are considered as quasi-equity loans to the subsidiaries.

The loans advanced to a subsidiary are unsecured, bear interest at the 3-month Hong Kong Interbank Offered Rate plus 2.5% per annum and have no fixed terms of repayment. In the opinion of the directors, the loans are not repayable within one year and therefore the loans are classified as non-current assets and are included in investments in subsidiaries.

19. INVESTMENTS IN SUBSIDIARIES (continued)

The balances with subsidiaries included in the Company's current assets and current liabilities of HK$78,619,000 (2013: HK$78,619,000) and HK$118,407,000 (2013: HK$62,230,000), respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Jetco Innovations Limited	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
Anhui Sinogas Company Limited#	PRC/ Mainland China	HK$30,000,000	–	100	Operation of gas stations
AVIC Tianxu Hengyuan Energy-Saving Technology Co., Ltd.#	PRC/ Mainland China	RMB35,000,000	–	100	Management and operation of LED EMC
Beijing Sinogas Company Limited#	PRC/ Mainland China	RMB100,000,000	–	69.4	Investment holding
Chengdu Cheng Yuan Natural Gas Company Limited*^	PRC/ Mainland China	RMB5,000,000	–	38.5	Operation of gas stations
Chengdu Sinogas Company Limited^	PRC/ Mainland China	HK$20,000,000	–	70	Operation of gas stations
China Full Limited (note)	Hong Kong	HK$2	–	50	Investment holding

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chuang Jie Ran Qi (Chengdu) Company Limited^	PRC/ Mainland China	HK$30,000,000	–	91	Operation of gas stations
Global King Investments Limited	British Virgin Islands/Hong Kong	US$32,000	–	69.4	Investment holding
Ganzhou Sinogas LPG Company Limited*	PRC/ Mainland China	RMB10,000,000	–	50	Trading of LPG
Guangzhou Sinogas Company Limited*	PRC/ Mainland China	RMB20,000,000	–	50	Operation of gas stations
Guangdong Zi Yu Tai Finance Leasing Company Limited#	PRC/ Mainland China	US$28,000,000	–	100	Provision of finance lease and loan services
Henan Sinogas Nanhai Energy Sources Company Limited^	PRC/ Mainland China	RMB10,000,000	–	80	Operation of gas stations
Shandong Sinogas Company Limited^	PRC/ Mainland China	RMB40,000,000	–	100	Operation of gas stations
Shenzhen Sinogas Environmental Protection Technology Limited#	PRC/ Mainland China	RMB20,000,000	–	100	Investment holding
Sino Gas (Zhuhai) Limited*#	PRC/ Mainland China	HK$38,000,000	–	50	Trading of LPG and petroleum

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sinogas (Xuzhou) Cleanly Fuel Co., Limited#	PRC/ Mainland China	HK$10,000,000	–	100	Operation of gas stations
Suzhou Target Lighting Company Limited#	PRC/ Mainland China	HK$15,400,000	–	100	Management and operation of LED EMC
Xinzheng Sinogas Company Limited^	PRC/ Mainland China	HK$12,000,000	–	100	Operation of gas stations
Xuzhou Sinogas Bus Fuel Company Limited^	PRC/ Mainland China	US$1,975,000	–	70	Operation of gas stations
Zhengzhou Sinogas Company Limited*^	PRC/ Mainland China	RMB29,400,000	–	41.6	Operation of gas stations
Zhuhai Sinogas Transportation Company Limited*^	PRC/ Mainland China	RMB10,000,000	–	45	Transportation of natural gas

* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and are accordingly accounted for as subsidiaries by virtue of the Company's control in the boards of directors of these companies.

^ These subsidiaries are registered as co-operative joint ventures under PRC law.

These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Note:

China Full Limited is owned as to 50% by the Group and the remaining 50% is owned by Sanlin Resources Limited. The board of China Full Limited is consisted of one sole director who is being assigned by the Group. Accordingly, in the opinion of the directors, the Group can have (i) power over China Full Limited and its subsidiaries ("China Full Group"); (ii) exposure or rights to variable returns from its involvement with China Full Group and (iii) the ability to use its power over China Full Group to affect the amount of the Group's returns. Accordingly, China Full Group has been accounted for as a subsidiary of the Group.

The statutory financial statements of all of the above subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, 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, result in particulars of excessive length.

Details of the Group' subsidiaries that have material non-controlling interests are set out below:

	2014	2013
	%	%
Percentage of equity interests held by non-controlling interests:		
Ontex Enterprises Limited	**40**	–
China Full Limited	**50**	50

19. INVESTMENTS IN SUBSIDIARIES (continued)

	2014	2013
	HK$'000	HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Ontex Enterprises Limited	**(936)**	–
China Full Limited	**12,840**	18,270
Accumulated balances of non-controlling interests at the reporting dates:		
Ontex Enterprises Limited	**(927)**	–
China Full Limited	**58,751**	47,257

The following tables illustrate the summarised financial information of China Full Group. The amounts disclosed are before any inter-company eliminations:

	2014	2013
	HK$'000	HK$'000
Revenue	**631,477**	577,286
Total expenses	**(605,058)**	(540,746)
Profit for the year	**26,419**	36,540
Total comprehensive income for the year	**24,661**	38,773
Current assets	**296,469**	280,445
Non-current assets	**175,993**	125,028
Current liabilities	**(307,994)**	(262,095)
Non-current liabilities	**(4,888)**	(7,391)
Net cash flows from/(used in) operating activities	**(22,497)**	60,566
Net cash flows used in investing activities	**(69,462)**	(34,545)
Net cash flows from/(used in) financing activities	**84,996**	(48,342)
Net decrease in cash and cash equivalents	**(6,963)**	(22,321)

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19. INVESTMENTS IN SUBSIDIARIES (continued)

The following tables illustrate the summarised financial information of Ontex Enterprises Limited. The amounts disclosed are before any inter-company eliminations:

	2014	2013
	HK$'000	HK$'000
Revenue	**–**	–
Total expenses	**(2,507)**	–
Loss for the year	**(2,341)**	–
Total comprehensive loss for the year	**(2,319)**	–
Current assets	**505,788**	–
Non-current assets	**1,760**	–
Current liabilities	**(138,047)**	–
Non-current liabilities	**(387,500)**	–
Net cash flows used in operating activities	**(85,963)**	–
Net cash flows from investing activities	**101**	–
Net cash flows from financing activates	**12,500**	–
Net decrease in cash and cash equivalents	**(73,362)**	–

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20. INVESTMENTS IN JOINT VENTURES

	Group 2014 HK$'000	2013 HK$'000
Share of net assets	**132,300**	64,752
Goodwill	**1,117**	1,117
	133,417	65,869

The amounts due from joint ventures of HK$97,138,000 (2013: HK$37,042,000) and the amount due to a joint venture of HK$5,040,000 (2013: HK$449,000) included in current assets and current liabilities, respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's joint ventures at the end of the reporting period, which are held indirectly through wholly-owned and non-wholly-owned subsidiaries of the Company, are as follows:

Name	Particulars of registered capital held by the Group	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Henan Blue Sky Sinopetroleum Clean Energy Science & Technology Co. Limited	RMB10,000,000	PRC/ Mainland China	50	50	50	Operation of gas stations
Sinogas Chengdu Company Limited	RMB20,000,000	PRC/ Mainland China	52.5	50	52.5	Operation of gas stations
Zhuhai Hengfeng Energy Company Limited	RMB5,000,000	PRC/ Mainland China	50	50	50	Trading of LPG

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20. INVESTMENTS IN JOINT VENTURES (continued)

Name	Particulars of registered capital held by the Group	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Jiangmen Xinjang Gas Company Limited	RMB59,800,000	PRC/ Mainland China	50	50	50	Trading of LPG
Guangzhou New Power Company Limited	RMB5,000,000	PRC/ Mainland China	50	50	50	Investment and consultancy services for gas stations
Guangdong Sinogas Shihua Company Limited	RMB2,000,000	PRC/ Mainland China	50	50	50	Trading of LPG

The statutory financial statements of all of the above joint ventures were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

20. INVESTMENTS IN JOINT VENTURES (continued)

Sinogas Chengdu Company Limited, which is considered a material joint venture of the Group, operates gas stations in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information of Sinogas Chengdu Company Limited adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2014	2013
	HK$'000	HK$'000
Cash and cash equivalents	**3,072**	5,247
Other current assets	**14,339**	12,112
Non-current assets	**89,714**	93,003
Current liabilities	**(48,795)**	(49,854)
Net assets	**58,330**	60,508
Net assets, excluding goodwill	**58,330**	60,508
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**52.5%**	52.5%
Group's share of net assets of the joint venture, excluding goodwill	**30,623**	31,767
Goodwill on acquisition (less cumulative impairment)	**1,117**	1,117
Carrying amount of the investment	**31,740**	32,884
Revenue	**104,562**	77,164
Interest income	**18**	28
Depreciation and amortisation	**(352)**	(321)
Interest expenses	**(2,854)**	(2,707)
Tax	**–**	134
Loss and total comprehensive loss for the year	**(2,178)**	(3,423)
Other comprehensive income/(loss) for the year	**476**	(1,144)

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20. INVESTMENTS IN JOINT VENTURES (continued)

Jiangmen Xinjang Gas Company Limited, which is considered a material joint venture of the Group, acts as the Group's distributor of LPG in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information of Jiangmen Xinjang Gas Company Limited adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2014	2013
	HK$'000	HK$'000
Cash and cash equivalents	**1,751**	–
Other current assets	**18,970**	–
Non-current assets	**43,777**	–
Current liabilities	**(2,816)**	–
Net assets	**61,682**	–
Net assets, excluding goodwill	**61,682**	–
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	–
Group's share of net assets of the joint venture, excluding goodwill	**30,841**	–
Carrying amount of the investment	**45,479**	–
Revenue	**4,346**	–
Interest income	**8**	–
Depreciation and amortisation	**(2,766)**	–
Interest expenses	**(1,874)**	–
Loss and total comprehensive loss for the year	**(6,063)**	–

20. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually significant:

	2014	2013
	HK$'000	HK$'000
Share of the joint ventures' profit for the year	**21,200**	2,615
Share of the joint ventures' total comprehensive income	**–**	572
Aggregate carrying amount of the Group's investments in joint ventures	**56,198**	32,985

21. INVESTMENTS IN ASSOCIATES

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**9,485**	–
Due from an associate	**899**	–
Due to associates	**161**	–

The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayments.

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21. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the Group's associates, which were held indirectly through a wholly-owned subsidiary of the Company, were as follows:

Name	Particulars of registered capital held by the Group	Place of registration and business	Percentage of ownership interest attributable to the Group 2014	Principal activities
Jinan Dongyuan Transportation Company Limited	RMB150,000	PRC	30	Transportation of gas
Shandong Languang Sinogas Company Limited	RMB8,000,000	PRC	40	Operation of gas stations

The statutory financial statements of the above associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Jinan Dongyuan Transportation Company Limited, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the provision of transportation services for natural gas business and is accounted for using the equity method.

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21. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of Jinan Dongyuan Transportation Company Limited adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2014	2013
	HK$'000	HK$'000
Current assets	**455**	–
Non-current assets	**7,128**	–
Current liabilities	**(7,341)**	–
Net assets	**242**	–
Net assets, excluding goodwill	**242**	–
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	–
Group's share of net assets of the associate, excluding goodwill	**73**	–
Goodwill on acquisition (less cumulative impairment)	**396**	–
Carrying amount of the investment	**469**	–
Revenue	**1,090**	–
Loss for the year	**(124)**	–
Total comprehensive loss for the year	**(124)**	–

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21. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014	2013
	HK$'000	HK$'000
Share of the associates' loss for the year	**(1,187)**	(12,411)
Share of the associates' other comprehensive income	**–**	801
Share of the associates' total comprehensive income	**(1,187)**	(11,610)
Aggregate carrying amount of the Group's investments in associates	**9,485**	–

22. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Conversion parts and gas station equipment	**628**	805
CNG and LPG	**971**	1,797
Sub-materials	**35**	428
	1,634	3,030

23. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investment, at fair value:		
Hong Kong	**185,617**	160,683

The above investment consists of an investment in equity securities, Peace Map Holding Limited ("Peace Map"), which was designated as available-for-sale financial asset and has no fixed maturity date or coupon rate.

As at 31 December 2014, the Group's shareholding in Peace Map was reduced to 8.26% (2013: 9.6%) and the directors considered that the Company continued to have no significant influence in operating and financial policies of the investee. HK$24,934,000 (2013: HK$15,661,000) has been recognised in other comprehensive income during the year ended 2014. As at 25 March 2015, the date of approval of these financial statements, the market value of the listed equity investment was approximately HK$141,290,000.

24. CONTRACT FOR SERVICES

	Group	
	2014	2013
	HK$'000	HK$'000
Contract costs incurred to date and gross amount due from contract customers	**36,560**	–

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25. CONCESSION FINANCE RECEIVABLES

The Group has entered into a number of service concession arrangements in respect of its LED lights services with government authorities from different districts in PRC. These service concession arrangements generally involve the Group as an operator (i) to construct streetlights for those arrangements on a Build-Operate-Transfer ("BOT") basis and (ii) to operate and maintain the streetlights on behalf of the relevant government authorities for periods ranging from 4 to 16 years.

At 31 December 2014, the Group had several service concession arrangements for constructing and operation and maintaining streetlights for government authorities in various districts of the PRC. Particulars of the concession finance arrangements are set out as follows:

Name	Description of arrangement	Significant terms of arrangement
Streetlights	Financing, design, building and operating of LED lights in Beijing Fangshan District	Period of concession: 2012 – 2027 Remuneration: quarterly fixed payment by the grantor Investment grant from concession grantor: nil Infrastructure return to grantor at end of concession Investment and renewal obligation: replace all LED lights twice within the operating period of 16 years Re-pricing dates: semi-annually Basis upon which re-pricing or re-negotiation is determined: electricity price, inflation and salary level of the district
Streetlights	Financing, design, building and operating of LED lights in Beijing Fangshan Da Jian Lu District	Period of concession: 2013 – 2017 Remuneration: quarterly fixed payment by the grantor Investment grant from concession grantor: nil Infrastructure return to grantor at end of concession Investment and renewal obligation: nil Re-pricing dates: nil

25. CONCESSION FINANCE RECEIVABLES (continued)

Name	Description of arrangement	Significant terms of arrangement
Streetlights	Financing, design, building and operating of LED lights in Changzhou Wujin District	Period of concession: 2013 – 2021 Remuneration: quarterly fixed payment by the grantor Investment grant from concession grantor: nil Infrastructure return to grantor at end of concession Investment and renewal obligation: nil Re-pricing dates: nil
Streetlights	Financing, design, building and operating of LED lights in Henan Lingbao City	Period of concession: 2013 – 2023 Remuneration: quarterly fixed payment by the grantor Investment grant from concession grantor: nil Infrastructure return to grantor at end of concession Investment and renewal obligation: nil Re-pricing dates: nil
Streetlights	Financing, design, building and operating of LED lights in Beijing Fangshan District	Period of concession: 2014 – 2028 Remuneration: quarterly fixed payment by the grantor Investment grant from concession grantor: nil Infrastructure return to grantor at end of concession Investment and renewal obligation: nil Re-pricing dates: nil

As further explained in the accounting policy for "Concession arrangements" set out in note 3 to the financial statements, the consideration paid by the Group for the service concession arrangements is accounted for as financial assets (receivables under service concession arrangements) as appropriate.

The following is the summarised information of the financial asset components (receivables under service concession arrangements) with respect to the Group's service concession arrangements.

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25. CONCESSION FINANCE RECEIVABLES (continued)

	Group	
	2014	2013
	HK$'000	HK$'000
Receivables under service concession arrangements	**222,224**	45,214
Current portion	**(84,783)**	(2,015)
Non-current portion	**137,441**	43,199

Concession finance receivables comprise amounts receivable with respect to concession agreements in the PRC. The Group's concession finance receivables are unbilled as at the end of the reporting period.

26. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade and bills receivables	**459,325**	153,914
Impairment	**(13)**	(1,861)
	459,312	152,053
Less: Non-current portion of trade receivables	**(232,270)**	(22,613)
Current portion of trade and bills receivables	**227,042**	129,440

The Group's trade receivables from LED EMC will be billed and settled by equal monthly, bimonthly and quarterly instalments over a period of five to ten years pursuant to the contract terms. The fair value of the consideration recognised is determined using an imputed rate of interest ranging from approximately 6.55% to 15% (2013: 15%).

26. TRADE AND BILLS RECEIVABLES (continued)

The Group's trading terms with its other trade customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 to 120 days, extending up to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Billed:		
0 to 90 days	**108,396**	127,364
91 to 120 days	**1**	–
121 days to 1 year	**5**	–
Over 1 year	**13**	1,911
	108,415	129,275
Unbilled	**350,910**	24,639
	459,325	153,914

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26. TRADE AND BILLS RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**1,861**	14,147
Impairment losses reversed (note 7)	**(1,829)**	(12,628)
Exchange realignment	**(19)**	342
At 31 December	**13**	1,861

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade and bills receivables of HK$13,000 (2013: HK$1,861,000) with a carrying amount before provision of HK$13,000 (2013: HK$1,861,000) as at 31 December 2014.

The aging analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Unbilled	**350,910**	24,639
Neither past due nor impaired	**108,396**	127,364
Less than 30 days past due	**1**	–
31 to 180 days past due	**5**	50
	459,312	152,053

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

26. TRADE AND BILLS RECEIVABLES (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**122,152**	49,408	**500**	515
Deposits and other receivables	**357,655**	301,731	**16,260**	6,736
Impairment	**(153,849)**	(143,725)	**(6,202)**	(6,202)
	325,958	207,414	**10,558**	1,049
Non-current portion of prepayments and deposits	**(134,737)**	(165,992)	**–**	–
Current portion	**191,221**	41,422	**10,558**	1,049

The financial assets included in the above balances which are not considered to be impaired relate to receivables for which there was no recent history of default and are neither past due nor impaired.

Included in the above non-current portion of prepayments and deposits of the Group are the deposit paid for acquisition of a subsidiary of HK$8,820,000 (2013: HK$46,990,000). In the prior year, balance also included acquisition of a joint venture of HK$4,890,000, acquisition of an associate of HK$1,791,000 and acquisition of land use rights of HK$8,941,000.

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of deposits and other receivables are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**143,725**	140,125	**6,202**	6,202
Impairment losses recognised (note 7)	**11,256**	208	**–**	–
Exchange realignment	**(1,132)**	3,392	**–**	–
At 31 December	**153,849**	143,725	**6,202**	6,202

Included in the above provision for impairment of deposits and other receivables of the Group is a provision for individually impaired deposits and other receivables of HK$153,849,000 (2013: HK$143,725,000) with an aggregate carrying amount before provision of HK$153,849,000 (2013: HK$143,725,000).

The individually impaired deposits and other receivables related to the deposits for the purchase of plant and machinery which were considered to be irrecoverable.

28. ASSETS HELD FOR SALE

In 2013, the Group entered into an agreement with an independent third party in respect of disposal of certain properties with a carrying amount of HK$23,600,000.

During the year, the acquisition was cancelled and deposit paid by purchaser was forfeited. At 31 December 2014, these properties were classified under investment properties (note 15) and were leased out for rental income.

29. HELD-TO-MATURITY DEBT SECURITIES

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted bonds, at amortised cost	**4,410**	–

These unlisted bonds have an aggregate nominal value of Renminbi ("RMB") 3,500,000 (2013: Nil) and bear interest at rates ranging from 5.3% to 5.6% per annum and will mature in January and March 2015. The amortised cost of the held-to-maturity debt securities have been computed as the amount initially recognised minus principal repayments, minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

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30. FINANCE LEASE RECEIVABLES

The Group provides finance leasing services on certain equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**8,135**	17,155	**6,549**	14,335
In the second to fifth years, inclusive	**15,855**	13,190	**13,971**	12,478
	23,990	30,345	**20,520**	26,813
Less: unearned finance income	**(3,470)**	(3,532)		
Present value of minimum lease payments	**20,520**	26,813		
Analysed for reporting purposes as:				
Current assets	**6,549**	14,335		
Non-current assets	**13,971**	12,478		
	20,520	26,813		

The Group's finance lease receivables are denominated in RMB, which is the functional currency of the relevant group entity.

30. FINANCE LEASE RECEIVABLES (continued)

At 31 December 2014, the Group's finance lease receivables with a carrying amount of HK$18,883,000 (2013: HK$14,401,000) were pledged as security for the Group's certain bank loans, as further detailed in note 37(a) to the consolidated financial statements.

31. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**648,557**	382,273	**73,495**	73,603
Time deposits	**1,904**	985,470	**–**	–
	650,461	1,367,743	**73,495**	73,603
Less:				
Pledged time deposits for bills payable (note 32)	**(1,904)**	(27,076)	**–**	–
Pledged time deposits for a short term bank loan (note 37(a))	**–**	(958,394)	**–**	–
Cash and cash equivalents	**648,557**	382,273	**73,495**	73,603

At the end of the reporting period, the cash and bank balances, and pledged deposits of the Group denominated in RMB amounted to HK$576,350,000 (2013: HK$1,287,105,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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32. TRADE AND BILLS PAYABLES

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

	Group	
	2014	2013
	HK$'000	HK$'000
0 to 90 days	**48,318**	189,408
91 to 120 days	**52,920**	–
Over 120 days	**2,005**	2,088
	103,243	191,496

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

The Group's bills payable amounted to HK$11,340,000 (2013: HK$74,021,000) as at the end of the reporting period and has an average maturity period of 90 days. Bills payable was secured by pledged time deposits of HK$1,904,000 (2013: HK$27,076,000). In the prior year, the bills payable was also secured by property, plant and equipment and investment properties with carrying amount as at 31 December 2013 of HK$51,587,000 and HK$30,259,000, respectively. Bills payable was denominated in RMB.

33. DEFERRED INCOME, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**131,042**	83,623	**–**	–
Accruals	**16,721**	7,207	**7,242**	2,830
Deferred income	**433,460**	–	**–**	–
	581,223	90,830	**7,242**	2,830
Non-current portion included in deferred income and other payables	**(382,424)**	(10,938)	**–**	–
	198,799	79,892	**7,242**	2,830

Other payables are non-interest-bearing and have an average repayment term of three months to nine years.

Deferred income represented deferred revenue from LED lights services and unamortised finance income for the service concession arrangements to be amortised throughout the service contracts periods.

34. CONVERTIBLE BONDS

On 6 March 2012, 10 July 2014 and 31 October 2014, the Group issued convertible bonds with principal amounts of HK$51,776,000, HK$175,000,000 and HK$272,000,000, respectively. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion prices of HK$0.235, HK$0.2 and HK$0.2 per share, respectively, anytime after the issuances of the convertible bonds. Any convertible bond not converted will be redeemed at par in three years, two years and two years, respectively, after the date of issuances or will be further extended as agreed between the bondholders and the Group. The convertible bonds bear interest at 2%, 2% and 1% per annum, respectively and payable half-yearly, yearly and on conversion or redemption, respectively, in arrears.

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34. CONVERTIBLE BONDS (continued)

On 31 October 2014, the Company issued convertible bonds in principal amount of HK$272,000,000. The bonds are convertible into ordinary shares at the initial conversion price of HK$0.20 per share at the option of the bondholders any time after the issuance of the convertible bonds. Any convertible bonds not converted will be redeemed by the Company at par in two years after the date of issuance. The convertible bonds bear interest at 1% per annum and payable at the time of conversion or redemption of the convertible bonds.

In addition, on 23 December 2014, convertible bonds in principal amount of HK$20,000,000 were converted by a bondholder into 100,000,000 ordinary shares of the Company at conversion price of HK$0.20 per conversion share. The closing market price per share of the immediate preceding business day on 22 December 2014 was HK$0.30.

The fair values of the liabilities components were estimated at the issuance dates using equivalent market interest rates for similar bonds without a conversion option. The residual amounts are assigned as the equity components and are included in shareholders' equity.

The convertible bonds issued have been split into the liabilities and equity components as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Nominal value		
At 1 January	**51,776**	51,776
Issuances of convertible bonds	**447,000**	–
Conversion during the year	**(20,000)**	–
At 31 December	**478,776**	51,776
Liabilities components		
At 1 January	**47,618**	44,182
Issuances of convertible bonds	**382,038**	–
Conversion during the year	**(16,910)**	–
Interest expense (note 8)	**14,769**	4,472
Interest paid	**(1,036)**	(1,036)
At 31 December	**426,479**	47,618

34. CONVERTIBLE BONDS (continued)

	Group 2014 HK$'000	Group 2013 HK$'000
Equity components		
At 1 January	**21,686**	21,686
Issuances of convertible bonds	**64,963**	–
Conversion during the year	**(3,337)**	–
At 31 December	**83,312**	21,686

	Company 2014 HK$'000	Company 2013 HK$'000
Nominal value		
At 1 January	**51,776**	51,776
Issuances of convertible bonds	**447,000**	–
Conversion during the year	**(20,000)**	–
At 31 December	**478,776**	51,776
Liabilities components		
At 1 January	**47,618**	44,182
Issuances of convertible bonds	**382,038**	–
Conversion during the year	**(16,910)**	–
Interest expense	**14,769**	4,472
Interest paid	**(1,036)**	(1,036)
At 31 December	**426,479**	47,618
Equity components		
At 1 January	**10,518**	10,518
Issuances of convertible bonds	**64,963**	–
Conversion during the year	**(3,337)**	–
At 31 December	**72,144**	10,518

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34. CONVERTIBLE BONDS (continued)

	Group and Company	
	2014	2013
	HK$'000	HK$'000
Convertible bonds, nominal value	**426,479**	47,618
Current portion	**(51,407)**	–
Non-current portion	**375,072**	47,618

35. FINANCE LEASE PAYABLE

The Group leases a motor vehicle for its corporate function. This lease is classified as finance lease and has a remaining lease term of five years.

At 31 December 2014, the total future minimum lease payments under finance leases and their present values are as follows:

Group and Company

	Minimum lease payments 2014 HK$'000	Minimum lease payments 2013 HK$'000	**Present value of minimum lease payments 2014 HK$'000**	Present value of minimum lease payments 2013 HK$'000
Amounts payable:				
Within one year	**873**	–	**725**	–
In the second year	**873**	–	**763**	–
In the third to fifth years, inclusive	**2,037**	–	**1,930**	–
Total minimum finance lease payments	**3,783**	–	**3,418**	–
Future finance charges	**(365)**	–		
Total net finance lease payable	**3,418**	–		
Portion classified as current liabilities	**(725)**	–		
Non-current portion	**2,693**	–		

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36. PROMISSORY NOTES

As at 31 December 2014, the carrying amount of the promissory notes of HK$100,000,000 with a principal amount of HK$100,000,000 formed part of the Group's consideration payable in relation to the acquisition of subsidiaries in 2014. As the promissory notes were issued in October 2014 and will mature in October 2015, the promissory notes are classified as current liabilities in the consolidated statement of financial position as at 31 December 2014. The promissory notes are unsecured and charge interests at the rate of 2% per annum payable on the maturity date.

37. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014			2013		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loans – unsecured	**-**	**On demand**	**2,150**	0 to 3	On demand or 2014	8,246
Bank loans – unsecured	**7.1 to 7.9**	**2015**	**107,113**	7.1 to 7.9	2014	74,930
Bank loans – secured	**6.7 to 10**	**2015**	**70,484**	6.8 to 10	2014	994,950
			179,747			1,078,126
Non-current						
Bank loans – secured	**6.7 to 10**	**2016-2018**	**545,500**	6.8 to 10	2015-2018	51,096
			725,247			1,129,222

	2014			2013		
Company	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loans – unsecured	**-**	**On demand**	**2,150**	–	On demand	2,150

37. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**177,597**	1,069,880	**–**	–
In the second year	**545,500**	31,411	**–**	–
In the third to fifth years, inclusive	**–**	19,685	**–**	–
	723,097	1,120,976	**–**	–
Other borrowings repayable:				
Within one year or on demand	**2,150**	8,246	**2,150**	2,150

Notes:

(a) Certain of the bank loans are secured by pledges of the Group's finance lease receivables with an aggregate carrying amount of HK$18,883,000 (2013: HK$14,401,000) (note 30). In the prior year, bank loans are also secured by (i) pledges of the Group's buildings and plant and machinery with an aggregate carrying value of HK$35,032,000 (note 14); (ii) pledges of the Group's prepaid land lease payments of HK$24,275,000 (note 16); and (iii) pledges of the Group's time deposits of HK$958,394,000 (note 31).

(b) Except for bank loans of HK$723,097,000 (2013: HK$162,582,000) which are denominated in RMB, all other borrowings are in Hong Kong dollars. In the prior year, except for bank loans of HK$958,394,000 which were denominated in United States dollars, and bank loans of HK$162,582,000 and other loans of HK$6,096,000 which were denominated in RMB, all other borrowings were in Hong Kong dollars.

(c) In prior year, the Group's other loans were unsecured, bear interest at 0% to 3% per annum and were repayable within one year.

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38. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Acquisition of subsidiaries HK$'000 (note 42)	**Withholding taxes** HK$'000 (note 11)	**Total** HK$'000
Deferred tax liabilities at 1 January 2013	–	3,724	3,724
Deferred tax charged to the statement of profit or loss during the year (note 11)	–	1,439	1,439
Deferred tax liabilities at 31 December 2013 and 1 January 2014	–	5,163	5,163
Deferred tax charged to the statement of profit or loss during the year (note 11)	–	2,188	2,188
Deferred tax recognised	241,000	–	241,000
Deferred tax liabilities at 31 December 2014	241,000	7,351	248,351

The Group has estimated tax losses arising in Hong Kong of approximately HK$146,235,000 (2013: HK$146,235,000) and in Mainland China of approximately HK$117,841,000 (2013: HK$87,865,000), which have not yet been agreed by the Inland Revenue Department of Hong Kong and various local tax authorities in Mainland China, that are available indefinitely and for five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time.

38. DEFERRED TAX (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. For the year ended 31 December 2014, deferred tax liabilities were provided based on the forecasted dividend payout because the directors believe that certain PRC subsidiaries would pay out all their earnings as dividends.

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

39. SHARE CAPITAL

Shares

	2014	2013
	HK$'000	HK$'000
Authorised: (Note (i))		
Nil (2013: 10,000,000,000 ordinary shares of HK$0.20 each) (Note (ii))	**–**	2,000,000
Issued and fully paid:		
4,483,782,539 (2013: 4,383,782,539) ordinary shares	**1,729,752**	876,757

Notes:

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

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

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

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39. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Total HK$'000
At 1 January 2013	3,653,782,539	730,757	829,608	3,865	1,564,230
Issue of shares	730,000,000	146,000	–	–	146,000
Share issue expenses	–	–	(4,277)	–	(4,277)
Transfer of reserve upon forfeiture of options	–	–	265	–	265
At 31 December 2013 and 1 January 2014	4,383,782,539	876,757	825,596	3,865	1,706,218
Transition to no-par value regime on 3 March 2014 (Note (a))	–	829,461	(825,596)	(3,865)	–
Convertible bonds exercised (Note (b))	100,000,000	20,247	–	–	20,247
Transfer of reserve upon forfeiture of options	–	3,287	–	–	3,287
At 31 December 2014	4,483,782,539	1,729,752	–	–	1,729,752

Notes:

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

(b) The subscription rights attaching to convertible bonds in principal amount of HK$20,000,000 were exercised at the subscription price of HK$0.2 per share (note 34), resulting in the issue of 100,000,000 shares as a total consideration, before expenses of HK$20,000,000. An amount of HK$247,000 was transferred from the equity component of convertible bonds to share capital in respect of the exercise of convertible bonds.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 40 to the financial statements.

40. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, employees of the Group, and any person who have contributed or may contribute to the Group. The Scheme became effective on 15 April 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

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40. SHARE OPTION SCHEME (continued)

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The movements in share options under the Scheme during the year are as follows:

	2014		2013	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.23**	**577,280**	0.23	581,030
Forfeited during the year	**0.236**	**(30,000)**	0.227	(3,750)
At 31 December	**0.23**	**547,280**	0.23	577,280

40. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2014

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
12,000	0.20	1-7-06 to 31-1-15
64,600	0.233	1-10-07 to 31-1-15
64,600	0.233	1-1-08 to 31-1-15
64,600	0.233	1-7-08 to 31-1-15
292,500	0.227	31-8-10 to 30-8-20
24,490	0.236	13-6-13 to 12-6-22
24,490	0.236	13-6-14 to 12-6-22
547,280		

2013

Number of options '000	Exercise price* HK$ per share	Exercise period
12,000	0.20	1-7-06 to 31-1-15
64,600	0.233	1-10-07 to 31-1-15
64,600	0.233	1-1-08 to 31-1-15
64,600	0.233	1-7-08 to 31-1-15
292,500	0.227	31-8-10 to 30-8-20
39,490	0.236	13-6-13 to 12-6-22
39,490	0.236	13-6-14 to 12-6-22
577,280		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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40. SHARE OPTION SCHEME (continued)

The fair value of the share options granted during 2012 was HK$8,652,000 (HK$0.11 each), of which the Group recognised a share option expense of HK$993,000 (2013: HK$4,101,000) during the year ended 31 December 2014.

The fair value of equity-settled share options granted during 2012 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2012
Historical volatility (%)	50.33
Risk-free interest rate (%)	1.067
Expected exercise multiple	2
Expected life of options (year)	10
Share price at grant date (HK$ per share)	0.236

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome.

At the end of the reporting period, the Company had 547,280,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 547,280,000 additional ordinary shares of the Company with an additional share capital of HK$125,512,000 (before issue expenses).

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had 337,080,000 share options outstanding under the Scheme, which represented approximately 7.4% of the Company's shares in issue as at that date.

41. RESERVES

(a) 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 52 of the financial statements.

The Group's reserve funds represent the Group's share of the statutory surplus reserve funds of certain subsidiaries operating as co-operative joint ventures/foreign investment enterprises in Mainland China. Pursuant to these subsidiaries' articles of association and the PRC Company Law, each of these subsidiaries shall make an allocation from its profit after tax at the rate of 10% to the statutory surplus reserve fund, until such reserve reaches 50% of its registered capital. Part of the statutory surplus reserve may be capitalised as the subsidiaries' registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the subsidiaries. The statutory reserve is non-distributable other than in the event of liquidation.

The special capital reserve represents the undertaking given by the Company (the "Undertaking") in connection with the capital reduction during the year ended 31 March 2000. The special capital reserve shall not be treated as realised profits and shall be treated as an undistributable reserve as long as there shall remain any outstanding debts or claims which were in existence on the date of the cancellation of the shares of the Company pursuant to the capital reduction, provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking and the Company may apply that part so released as a distributable reserve.

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41. RESERVES (continued)

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Special capital reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013		829,608	39,807	10,518	828,646	3,865	(1,792,740)	(80,296)
Total comprehensive loss for the year		–	–	–	–	–	(13,377)	(13,377)
Share issue expenses	39	(4,277)	–	–	–	–	–	(4,277)
Transfer of share option reserve	39	265	(265)	–	–	–	–	–
Equity-settled share option arrangements	40	–	4,101	–	–	–	–	4,101
At 31 December 2013 and 1 January 2014		825,596*	43,643*	10,518	828,646*	3,865*	(1,806,117)*	(93,849)
Total comprehensive loss for the year		–	–	–	–	–	(181,772)	(181,772)
Transition to no-par value regime	39	(825,596)	–	–	–	(3,865)	–	(829,461)
Transfer of share option reserve	39	–	(3,287)	–	–	–	–	(3,287)
Equity-settled share option arrangements	40	–	993	–	–	–	–	993
Issue of convertible bonds	34	–	–	64,963	–	–	–	64,963
Issue of shares upon conversion of convertible bonds	34	–	–	(3,337)	–	–	–	(3,337)
At 31 December 2014		–	41,349*	72,144	828,646*	–	(1,987,889)*	(1,045,750)

* These reserve accounts comprise a debit reserve of HK$1,117,894,000 (2013: HK$104,367,000) included in the statement of financial position of the Company.

42. BUSINESS COMBINATIONS

On 19 June 2014, the Group entered into a sale and purchase agreement (as supplemented and amended by a supplemental agreement dated 24 June 2014) with Sanmax Investment Limited and Yada Investment Limited for the acquisition of 60% of the issued shares of Ontex Enterprises Limited ("Ontex") and 60% of principal amount of the shareholders' loans of Ontex. Ontex is an investment holding company incorporated in the British Virgin Islands with limited liability. Its indirect wholly-owned subsidiary is principally engaged in land development project. The purchase consideration was paid as to HK$150,000,000 by cash, HK$272,000,000 by issue of convertible bonds and HK$100,000,000 by issue of promissory notes.

The fair values of the identifiable assets and liabilities of Ontex as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Intangible assets	18	964,000
Property, plant and equipment	14	1,744
Contract for services		22,794
Trade receivables		923
Prepayment, deposits and other receivables		46,639
Cash and bank balances		396,351
Other payables and accruals		(12,504)
Shareholders' loans		(96,599)
Bank borrowings		(375,000)
Deferred tax liabilities	38	(241,000)
Tax payable		(28)
Total identifiable net assets at fair value		707,320
Less: Non-controlling interest of 40%		(282,928)
Net assets acquired		424,392
Goodwill on acquisition	17	39,649
Consideration		464,041

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42. BUSINESS COMBINATIONS (continued)

	Fair value recognised on acquisition HK$'000
Satisfied by:	
Cash	150,000
Convertible bonds	272,000
Promissory notes	100,000
Less: Shareholders' loans	(57,959)
	464,041

The fair values of the trade receivables, deposits and other receivables as at the date of acquisition amounted to HK$47,562,000. The gross contractual amount of trade receivables, deposit and other receivables of which none is expected to be uncollectible was HK$47,562,000.

The Group incurred transaction costs of HK$3,340,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

42. BUSINESS COMBINATIONS (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(150,000)
Cash and bank balances acquired	396,351
Net inflow of cash and cash equivalents included in cash flows from investing activities	246,351
Transaction costs of the acquisition included in cash flows from operating activities	(3,340)
	243,011

Since the acquisition, Ontex caused a loss of HK$2,341,000 to the Group's consolidated loss for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the loss of the Group for the year would have been HK$79,213,000.

On 26 November 2012, the Group entered into a conditional sale and purchase agreement with Mr. Pei Yong and Mr. Zhang Chen, independent third parties, for the acquisition of 100% interest in Shanghai Shangju Enterprise Company Limited ("Shanghai Shangju"). Shanghai Shangju is engaged in the provision of rental service from its investment properties. The acquisition was completed on 5 January 2013. The purchase consideration for the acquisition was paid in the form of cash.

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42. BUSINESS COMBINATIONS (continued)

The fair values of the identifiable assets and liabilities of Shanghai Shangju as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition HK$'000**
Property, plant and equipment	14	51,378
Investment properties	15	30,125
Prepayments and other receivables		4,422
Cash and bank balances		255
Other payables and accruals		(7,828)
Total identifiable net assets at fair value		78,352
Satisfied by cash		78,352

The fair values of the prepayments and other receivables as at the date of acquisition amounted to HK$4,422,000. The gross contractual amount of other receivables, of which none is expected to be uncollectible was HK$4,422,000.

The Group incurred transaction costs of HK$112,500 for this acquisition. These transaction costs had been expensed and were included in administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2013.

42. BUSINESS COMBINATIONS (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(78,352)
Cash and bank balances acquired	255
Net outflow of cash and cash equivalents included in cash flows from investing activities	(78,097)
Transaction costs of the acquisition included in cash flows from operating activities	(113)
	(78,210)

Since the acquisition, Shanghai Shangju caused a loss of HK$5,771,000 to the Group's consolidated loss for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the loss of the Group for the year ended 31 December 2013 would have been HK$25,417,000.

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43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
(a) Disposal of subsidiaries

	Notes	**2014 HK$'000**
Net assets disposed of:		
Property, plant and equipment	14	76,257
Prepaid land lease payments	16	24,832
Goodwill	17	1,298
Long term deposits		52,512
Inventories		173
Trade receivables		1,952
Prepayments, deposits and other receivables		9,602
Cash and bank balances		6,737
Trade payables		(476)
Other payables and accruals		(34,026)
Bank borrowings		(31,122)
Due to non-controlling interests		(417)
Tax payable		(76)
Translation reserve released		(7,210)
Capital reserve released		(261)
Non-controlling interests		(31,099)
		68,676
Gain on disposal of subsidiaries		9,934
		78,610
Satisfied by cash		78,610

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Disposal of subsidiaries (continued)

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2014 HK$'000
Cash consideration	78,610
Cash and bank balances disposed of	(6,737)
Net inflow of cash and cash equivalents included in cash flows from investing activities	71,873

(b) Major non-cash transactions

(i) During the year, imputed finance income of HK$20,317,000 (2013: HK$3,654,000) has been recognised into concession finance receivables and trade receivables.

(ii) During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the lease of HK$3,880,000 (2013: Nil).

(iii) During the year ended 31 December 2013, interest expenses of HK$448,000 had been capitalised into items of property, plant and equipment (note 8). No interest expenses have been capitalised into items of property, plant and equipment for the year ended 31 December 2014.

(iv) During the year ended 31 December 2013, the Group's shareholding on Peace Map was decreased to 9.6% and therefore the investment in an associate of HK$98,954,000 was reclassified to an available-for-sale investment.

(v) During the year ended 31 December 2013, the Group paid deposits of HK$30,171,000 for the acquisition of plant and equipment.

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44. FINANCIAL GUARANTEES

At the end of the reporting period, financial guarantees contracts not provided for in the financial statements were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Corporate guarantees given to banks in connection with facilities granted to a subsidiary	**–**	–	**37,800**	63,500

As at 31 December 2014, the corporate guarantees granted to a subsidiary of HK$37,800,000 (2013: HK$63,500,000) by the Company were utilised to the extent of approximately HK$12,600,000 (2013: HK$38,100,000).

45. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its buildings and investment properties under non-cancellable operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**2,167**	2,299
In the second to fifth years, inclusive	**7,261**	6,743
After five years	**7,920**	9,747
	17,348	18,789

45. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

Group

The Group leases certain of its office premises, land, buildings and staff quarters under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging between one to twenty years.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**13,357**	19,809
In the second to fifth years, inclusive	**42,026**	51,690
After five years	**63,199**	72,107
	118,582	143,606

Company

The Company leases its office premise under a non-cancellable operating lease arrangement. Lease for the property is negotiated for a term of 1 year and 8 months.

At 31 December 2014, the Company had total future minimum lease payment under non-cancellable operating lease falling due within one year amounted to HK$320,000.

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46. COMMITMENTS

In addition to the operating lease commitments detailed in note 45(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for:				
Property, plant and equipment	**79,535**	75,831	**–**	–
Capital contributions payable to joint ventures	**6,300**	–	**–**	–
Capital contributions payable to a subsidiary	**–**	–	**8,190**	–
	85,835	75,831	**8,190**	–

	Group	
	2014	2013
	HK$'000	HK$'000
Authorised, but not contracted for:		
Property, plant and equipment	**–**	139,226

47. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Sales of gas to non-controlling shareholders	(i)	**120,860**	120,269
Sales of gas to a joint venture	(i)	**16,481**	10,378
Purchases of gas from a joint venture	(i)	**12,053**	9,651
Provision of transportation service to a joint venture	(ii)	**4,505**	4,813
Rental expense paid to a joint venture	(iii)	**–**	371
Interest expenses to a related company	(iv)	**8,864**	5,250
Interest income from related companies	(v)	**1,725**	709

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47. RELATED PARTY TRANSACTIONS

(a) (continued)

Notes:

(i) The sales/purchases of gas to/from non-controlling shareholders and a joint venture were made at prices mutually agreed between the parties, which approximated market rates.

(ii) The provision of transportation service to a joint venture was made at prices mutually agreed between the parties, which approximated market rates.

(iii) In the prior year, the rental expense paid to a joint venture was made at price mutually agreed between the parties, which approximated market rate.

(iv) The interest expenses paid to a related company, which is a wholly-owned subsidiary of a shareholder of the Company, were charged at an interest rate of 5% per annum.

(v) The interest income received from related companies, including an associate of a shareholder of the Company, was charged at an interest rate from 5% to 7.1% per annum.

(b) Other transactions and outstanding balances with related parties:

(i) The balances with non-controlling shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) The balances with joint ventures and associates are unsecured, non-interest-bearing and have no fixed terms of repayment.

(iii) The loans from a related company are unsecured, bear interest at 5% (2013: 5%) per annum and are repayable in the years 2015 and 2016 (2013: year 2015).

(iv) The loans receivable from related companies are unsecured, bear interest from 5% to 7.1% per annum and are repayable in the year 2016 (2013: year 2014).

(v) The loans from non-controlling shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

47. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	2014	2013
	HK$'000	HK$'000
Short term employee benefits	**5,535**	5,080
Post-employment benefits	**42**	45
Equity-settled share option expense	**490**	1,558
Total compensation paid to key management personnel	**6,067**	6,683

Further details of directors' and chief executives' emoluments are included in note 9 to the financial statements.

The related party transactions in respect of items (a)(iv) and (a)(v) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2014 **Group**

Financial assets

	Held-to-maturity investments HK$'000	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Total HK$'000
Trade and bills receivables	–	–	459,312	459,312
Financial assets included in prepayments, deposits and other receivables (note 27)	–	–	203,806	203,806
Finance lease receivables	–	–	20,520	20,520
Held-to-maturity debt securities	4,410	–	–	4,410
Concession finance receivables	–	–	222,224	222,224
Due from non-controlling shareholders	–	–	35,121	35,121
Due from joint ventures	–	–	97,138	97,138
Due from an associate	–	–	899	899
Available-for-sale investment	–	185,617	–	185,617
Loans receivable from related companies	–	–	33,339	33,339
Pledged deposits	–	–	1,904	1,904
Cash and bank balances	–	–	648,557	648,557
	4,410	185,617	1,722,820	1,912,847

48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2014 **Group**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	103,243
Financial liabilities included in deferred income, other payables and accruals	147,761
Finance lease payable	3,418
Due to non-controlling shareholders	3,087
Due to a joint venture	5,040
Due to associates	161
Loans from a related company	147,172
Loans from non-controlling shareholders	38,640
Convertible bonds	426,479
Promissory notes	100,000
Interest-bearing bank and other borrowings	725,247
	1,700,248

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48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2013 Group

Financial assets

	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Total HK$'000
Trade and bills receivables	–	152,053	152,053
Financial assets included in prepayments, deposits and other receivables (note 27)	–	158,006	158,006
Finance lease receivables	–	26,813	26,813
Concession finance receivables	–	45,214	45,214
Due from non-controlling shareholders	–	29,357	29,357
Due from joint ventures	–	37,042	37,042
Available-for-sale investment	160,683	–	160,683
Loan receivable from a related company	–	6,350	6,350
Pledged deposits	–	985,470	985,470
Cash and bank balances	–	382,273	382,273
	160,683	1,822,578	1,983,261

48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2013 Group

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	191,496
Financial liabilities included in other payables and accruals	90,830
Due to non-controlling shareholders	15,399
Due to a joint venture	449
Loans from a related company	147,179
Convertible bond	47,618
Interest-bearing bank and other borrowings	1,129,222
	1,622,193

Company

Financial assets

	2014	2013
	Loans and receivables HK$'000	Loans and receivables HK$'000
Financial assets included in prepayments, deposits and other receivables (note 27)	**10,058**	534
Loan to a related company	**30,000**	–
Due from subsidiaries	**78,619**	78,619
Cash and bank balances	**73,495**	73,603
	192,172	152,756

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48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial liabilities

	2014	2013
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	**7,242**	2,830
Due to a subsidiary	**118,407**	62,230
Finance lease payable	**3,418**	–
Promissory notes	**100,000**	–
Loans from a related company	**147,172**	147,179
Convertible bonds	**426,479**	47,618
Interest-bearing bank and other borrowings	**2,150**	2,150
	804,868	262,007

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale investment	**185,617**	160,683	**185,617**	160,683
Concession finance receivables – non-current portion	**137,441**	43,199	**137,441**	43,199
Trade receivables – non-current portion	**232,270**	22,613	**232,270**	22,613
Finance lease receivables – non-current portion	**13,971**	12,478	**13,971**	12,478
Loans receivable from related companies	**33,339**	–	**33,339**	–
	602,638	238,973	**602,638**	238,973
Financial liabilities				
Loans from a related company	**147,172**	147,179	**147,172**	147,179
Loans from non-controlling shareholders	**38,640**	–	**38,640**	–
Finance lease payable	**3,418**	–	**3,418**	–
Interest-bearing bank and other borrowings	**725,247**	1,129,222	**725,247**	1,129,222
Convertible bonds	**426,479**	47,618	**426,479**	47,618
Other payables – non-current portion	**11,541**	10,938	**11,541**	10,938
	1,352,497	1,334,957	**1,352,497**	1,334,957

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49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Company

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Finance lease payable	**3,418**	–	**3,418**	–
Loans from a related company	**147,172**	147,179	**147,172**	147,179
Interest-bearing bank borrowings and other borrowings	**2,150**	2,150	**2,150**	2,150
Convertible bonds	**426,479**	47,618	**426,479**	47,618
	579,219	196,947	**579,219**	196,947

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, concession finance receivables, finance lease receivables, held-to-maturity debt instruments, financial liabilities included in other payables and accruals, promissory notes, amounts due from/to non-controlling shareholders, amounts due from/to joint ventures, amounts due from/to associates and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief accountant is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of pledged deposits, concession finance receivables, trade receivables, finance lease receivables, finance lease payable, loans from/to related companies, loans from non-controlling shareholders and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of other payables and interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair value of listed equity investment is based on quoted market prices.

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49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Asset measured at fair value:

Group

As at 31 December 2014

		Fair value measurement using			
	Note	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investment	23	185,617	–	–	185,617

As at 31 December 2013

		Fair value measurement using			
	Note	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investment	23	160,683	–	–	160,683

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Asset measured at fair value: (continued)

The Group did not have any financial liabilities measured at fair value as at 31 December 2014 and 2013.

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2014 and 2013.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

Assets for which fair values are disclosed:

Group

As at 31 December 2014

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Concession finance receivables – non-current portion	25	–	137,441	–	137,441
Trade receivables – non-current portion	26	–	232,270	–	232,270
Finance lease receivables – non-current portion	30	–	13,971	–	13,971
Loans receivable from related companies	47(b)(iv)	–	33,339	–	33,339
		–	417,021	–	417,021

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49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

As at 31 December 2013

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Concession finance receivables – non-current portion	25	–	43,199	–	43,199
Trade receivables – non-current portion	26	–	22,613	–	22,613
Finance lease receivables – non-current portion	30	–	12,478	–	12,478
		–	78,290	–	78,290

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

Group

As at 31 December 2014

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Finance lease payable	35	–	3,418	–	3,418
Loans from non-controlling shareholders	47(b)(i)	–	38,640	–	38,640
Loans from a related company	47(b)(iii)	–	147,172	–	147,172
Interest-bearing bank and other borrowings	37	–	725,247	–	725,247
Convertible bonds	34	–	–	426,479	426,479
Other payables – non-current portion	33	–	11,541	–	11,541
		–	926,018	426,479	1,352,497

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49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

Group

As at 31 December 2013

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Loans from a related company	44(b)(iii)	–	147,179	–	147,179
Interest-bearing bank and other borrowings	37	–	1,129,222	–	1,129,222
Convertible bond	34	–	–	47,618	47,618
Other payables – non-current portion	33	–	10,938	–	10,938
		–	1,287,339	47,618	1,334,957

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

Company

As at 31 December 2014

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Finance lease payable	35	–	3,418	–	3,418
Loans from a related company	44(b)(iii)	–	147,172	–	147,172
Interest-bearing bank and other borrowings	37	–	2,150	–	2,150
Convertible bonds	34	–	–	426,479	426,479
		–	152,740	426,479	579,219

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49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

Company

As at 31 December 2013

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Loans from a related company	47(b)(iii)	–	147,179	–	147,179
Interest-bearing bank and other borrowings	37	–	2,150	–	2,150
Convertible bond	34	–	–	47,618	47,618
		–	149,329	47,618	196,947

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, convertible bonds and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade and bills payables, concession finance receivables and finance lease receivables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's functional currency is RMB since the operations of its major subsidiaries are mainly in Mainland China.

The Group's transactions were mainly conducted in RMB and its major trade and bills receivables and borrowings were denominated in RMB and hence the exposure to foreign currency risk is minimal. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The credit risk of the Group's other financial assets, which comprise cash and bank balances, other receivables, concession finance receivables, finance lease receivables, held-to-maturity investments, joint ventures and associates and amounts due from non-controlling shareholders, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are disclosed in notes 26 and 27 to the financial statements.

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 and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, convertible bonds, finance leases and other fund raising activities in the capital market. The Group has detailed operating plans for future development and will also consider arranging necessary financing through fund raising activities in the capital market.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	–	103,243	–	–	–	103,243
Convertible bonds	–	–	55,794	435,174	–	490,968
Other payables	–	–	131,041	–	–	131,041
Due to non-controlling shareholders	3,087	–	–	–	–	3,087
Due to a joint venture	5,040	–	–	–	–	5,040
Due to associates	161	–	–	–	–	161
Finance lease payable	–	218	655	2,910	–	3,783
Loans from a related company	–	–	45,181	113,852	–	159,033
Loans from non-controlling shareholders	–	–	–	38,640	–	38,640
Interest-bearing bank and other borrowings	2,150	–	177,597	551,617	–	731,364
Promissory notes	–	–	100,000	–	–	100,000
	10,438	103,461	510,268	1,142,193	–	1,766,360

NOTES TO FINANCIAL STATEMENTS

31 December 2014

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2013					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	–	189,408	2,088	–	–	191,496
Convertible bond	–	518	518	52,293	–	53,329
Other payables	–	–	83,623	–	–	83,623
Due to non-controlling shareholders	15,339	–	–	–	–	15,339
Due to a joint venture	449	–	–	–	–	449
Loans from a related company	–	–	7,360	150,852	–	158,212
Interest-bearing bank and other borrowings	2,150	1,003,590	80,234	55,405	–	1,141,379
	17,938	1,193,516	173,823	258,550	–	1,643,827

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2014				
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Convertible bonds	–	–	55,794	435,174	490,968
Due to a subsidiary	118,407	–	–	–	118,407
Accruals	–	7,242	–	–	7,242
Loans from a related company	–	–	45,181	113,852	159,033
Interest-bearing bank and other borrowings	2,150	–	–	–	2,150
Promissory notes	–	–	100,000	–	100,000
	120,557	7,242	200,975	549,026	877,800

	2013				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Convertible bond	–	518	518	52,293	53,329
Due to a subsidiary	62,230	–	–	–	62,230
Accruals	–	2,830	–	–	2,830
Loans from a related company	–	–	7,360	150,852	158,212
Interest-bearing bank and other borrowings	2,150	–	–	–	2,150
	64,380	3,348	7,878	203,145	278,751

NOTES TO FINANCIAL STATEMENTS

31 December 2014

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital 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 and the risk characteristics of the underlying assets. 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.

The Group monitors capital using a gearing ratio, which is net debt divided by adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, amounts due to related parties, trade, bills and other payables, accruals, amounts due to non-controlling shareholders, amounts due to associates and an amount due to a joint venture and the liability component of convertible bonds less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Trade and bills payables	**103,243**	191,496
Deferred income, other payables and accruals (note 33)	**588,573**	90,830
Finance lease payable	**3,418**	–
Due to associates	**161**	–
Due to non-controlling shareholders	**3,087**	15,399
Due to a joint venture	**5,040**	449
Loans from a related company	**147,172**	147,179
Loans from non-controlling shareholders	**38,640**	–
Promissory notes	**100,000**	–
Interest-bearing bank and other borrowings	**725,247**	1,129,222
Convertible bonds – the liability component	**426,479**	47,618
Less: Cash and bank balances	**(648,557)**	(382,273)
Less: Pledged deposits	**(1,904)**	(985,470)
Net debt	**1,490,599**	254,450
Equity attributable to owners of the parent	**1,095,112**	1,085,962
Adjusted capital and net debt	**2,585,711**	1,340,412
Gearing ratio	**57.6%**	19.0%

NOTES TO FINANCIAL STATEMENTS

31 December 2014

51. EVENTS AFTER THE REPORTING PERIOD

(a) On 18 July 2014, Beijing Sinogas Company Limited ("Beijing Sinogas"), an indirect non-wholly-owned subsidiary of the Company, and AVIC Tianxu Hengyuan Energy-Saving Technology Co., Ltd. ("AVIC Tianxu Hengyuan"), an indirect wholly-owned subsidiary of the Company, entered into a properties transfer agreement, pursuant to which Beijing Sinogas has conditionally agreed to transfer its properties to AVIC Tianxu Hengyuan at a cash consideration of RMB11,026,470. The properties transfer agreement lapsed on 18 January 2015 as the conditions precedent remained outstanding and no extension of the completion was agreed between Beijing Sinogas and AVIC Tianxu Hengyuan.

(b) On 3 December 2014, the Company entered into an agreement with Great Concept Investments Holdings Limited, a direct wholly-owned subsidiary of the Company, Sanlin Resources Limited ("Sanlin") and Sino Gas Holdings Group Limited ("Sino Gas BVI"), an indirect non-wholly owned subsidiary of the Company, in relation to a proposed group restructuring which comprises (1) the transfer of (i) 60% of the equity interest in Zhengzhou Sinogas Company Limited ("Zhengzhou Sinogas"), a non-wholly owned subsidiary of the Company; (ii) 80% of the equity interest in Henan Sinogas Nanhai Energy Sources Company Limited ("Henan Sinogas"), a non-wholly owned subsidiary of the Company; (iii) 100% of the equity interest in Xinzheng Sinogas Company Limited ("Xinzheng Sinogas"), a wholly-owned subsidiary of the Company; (iv) 100% of the equity interest in Sinogas (Shanxi) Gas Company Limited ("Shanxi Sinogas"), a wholly-owned subsidiary of the Company; and (v) 50% of the equity interest in Henan Blue Sky Sinopetroleum Clean Energy Science & Technology Company Limited ("Henan Blue Sky"), a joint venture of the Company, to Sino Gas BVI (or its nominated subsidiary) for an aggregate consideration (the "PRC Transfers Consideration") of RMB93,653,263.10; (2) the disposal of the 10% of the issued share capital of Sino Gas BVI and the sum owed by China Full Limited ("China Full"), a subsidiary of Sino Gas BVI, to the Company in the amount of RMB8,767,307 by the Group to Sanlin for an aggregate consideration of RMB20,767,307 to be settled in cash payable by Sanlin to the Company; and (3) the settlement of the debts (the "Debts Settlement"), amounting to RMB84,305,108.18 as at 30 September 2014, owed by Sinogas (Zhuhai) Limited ("Zhuhai Sinogas"), a direct wholly-owned subsidiary of China Full, and its subsidiaries, Zhengzhou Sinogas, Henan Sinogas; Xinzheng Sinogas, Henan Blue Sky, Shanxi Sinogas, Shanxi Xinneng CNG Company Limited ("Shanxi Xinneng"), a non-wholly owned subsidiary of Shanxi Sinogas, to the Company and its subsidiaries (excluding Sino Gas BVI and its subsidiaries as enlarged by Zhengzhou Sinogas, Henan Sinogas, Xinzheng Sinogas, Henan Blue Sky, Shanxi Sinogas and Shanxi Xinneng). Details of the group restructuring were included in the Company's announcement dated 3 December 2014 and circular dated 25 February 2015. The group restructuring was approved by the shareholders of the Company at the extraordinary general meeting of the Company on 3 March 2015.

51. EVENTS AFTER THE REPORTING PERIOD (continued)

(c) On 6 January 2015, the Company entered into a sale and purchase agreement (as supplemental and amended by the supplemental sale and purchase agreement dated 10 February 2015) to purchase a property in Shanghai ("the Property") at a consideration of RMB1,566,032,890. The Property comprised of the building with office and retail units and the parking spaces which together with an aggregate gross floor area of 16,352.29 square metres. Details of acquisition were included in the Company's announcements dated 6 January 2015, 10 February 2015 and circular dated 26 February 2015. The acquisition of the Property was approved by the shareholders of the Company at the extraordinary general meeting of the Company on 30 March 2015. The acquisition of the Property has not yet completed as at the reporting date of these financial statements.

(d) On 20 January 2015, a deed of amendment (the "Deed") was entered into between the Company as the issuer and Billirich Investment Limited ("Billirich") as the bondholder. Pursuant to the Deed, the Company conditionally agreed to extend the maturity date of the 2% coupon convertible bond in principal amount of HK$51,775,872 issued by the Company on 3 March 2012 to Billirch for three years, from 6 March 2015 to 6 March 2018, other terms remained unchanged (the "Extension"). The Extension was approved by the Independent Shareholders (as defined in the circular of the Company dated 9 February 2015) at the extraordinary general meeting on 3 March 2015. A new convertible bond certificate was issued to Billirich on 3 March 2015. Details of the Extension were disclosed in the announcement and circular of the Company dated 20 January 2015 and 9 February 2015, respectively.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2015.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,619,742**	1,282,780	1,177,611	1,024,588	808,709
PROFIT/(LOSS) BEFORE TAX	**(58,804)**	6,632	4,036	36,317	(25,121)
Income tax expense	**(15,727)**	(23,053)	(25,609)	(17,615)	(10,631)
PROFIT/(LOSS) FOR THE YEAR	**(74,531)**	(16,421)	(21,573)	18,702	(35,752)
Attributable to:					
Owners of the parent	**(82,135)**	(25,417)	(25,966)	8,482	(27,937)
Non-controlling interests	**7,604**	8,996	4,393	10,220	(7,815)
	(74,531)	(16,421)	(21,573)	18,702	(35,752)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,848,734**	2,825,389	1,513,406	1,017,854	925,744
Total liabilities	**(2,397,548)**	(1,643,599)	(488,155)	(245,655)	(266,120)
Non-controlling interests	**(356,074)**	(95,828)	(77,777)	(93,102)	(56,867)
	1,095,112	1,085,962	947,474	679,097	602,757