



中國環投
CHINA
ENVIRONMENTAL
INVESTMENT

CHINA ENVIRONMENTAL INVESTMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
Stock code : 260

Annual Report 2013



CONTENTS

2	CORPORATE INFORMATION
3-4	CHAIRMAN'S STATEMENT
5-9	MANAGEMENT DISCUSSION AND ANALYSIS
10-12	BIOGRAPHICAL DETAILS OF DIRECTORS
13-23	REPORT OF THE DIRECTORS
24-40	CORPORATE GOVERNANCE REPORT
41-42	INDEPENDENT AUDITORS' REPORT
	AUDITED FINANCIAL STATEMENTS
	CONSOLIDATED:
43	STATEMENT OF PROFIT OR LOSS
44	STATEMENT OF COMPREHENSIVE INCOME
45-46	STATEMENT OF FINANCIAL POSITION
47	STATEMENT OF CHANGES IN EQUITY
48-50	STATEMENT OF CASH FLOWS
	COMPANY:
51	STATEMENT OF FINANCIAL POSITION
52-169	NOTES TO FINANCIAL STATEMENTS
170	FIVE YEAR FINANCIAL SUMMARY

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Ji Guirong (*Chairman*)

Executive Directors

Ji Hui (*Chief Executive Officer*)

Zang Zheng

Zhang Chuanjun

Zhang Ning (*Chief Financial Officer*)

Xiao Wei

Independent Non-Executive Directors

Wang Zhonghua

Zhong Qiang

Hu Xiaowen

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

<http://www.irasia.com/listco/hk/cei/index.htm>

STOCK CODE

260

CHAIRMAN'S STATEMENT

REVIEW

The Group experienced a challenging year in 2013. The financial results of the Group for the year ended 31 December 2013 recorded a turnover of HK\$1,282.8 million and a gross profit of HK\$267.8 million, representing increases of 8.9% and 16.9% respectively comparing to last year. The operating performance by segment was mixed: while the natural gas segment continued to grow, there was a decline in the light-emitting diode ("LED") segment. The Group made a loss attributable to owners of the parent for the year ended 31 December 2013 amounting to HK\$25.4 million (2012: HK\$26 million).

The natural gas segment registered sales of HK\$1,241.5 million, representing an increase of 11.6% from 2012. The segment profit from natural gas business was HK\$58.2 million in 2013, representing an increase of 17% compared with 2012. The sales volume from the compressed natural gas ("CNG") business continued to rise comparing to 2012 but the sales volume from the liquefied petroleum gas ("LPG") business slightly dropped due to several LPG refueling stations has been altered to CNG refueling stations in the north-east region of the PRC. Overall, the Group's natural gas segment has achieved satisfactory performance in 2013.

The performance of the Group's LED and finance leasing businesses are both below expectations, mainly due to challenges faced in signing new energy management contracts ("EMC") projects during the year. Turnover for the LED segment amounted to HK\$38.6 million in 2013, showing a decrease by HK\$19 million compared to 2012. Segment result of LED business recorded a loss of HK\$15.9 million, which was mainly attributed to insignificant new EMC project income and increasing overhead costs. 2013 was the second year that the Group has entered into the LED business and to position the Group to further penetrate the LED EMC market in the PRC, the Group has established LED subsidiaries in Beijing, Fujian, Zhejiang, Jiangsu, Guangdong and Jilin provinces. The establishment of regional subsidiaries was encouraged by the local governments during the bidding process of EMC contracts because they prefer to cooperate with companies with local presence. However, having more subsidiaries incurs rising overhead costs, which dragged down the segment profit as the Group was unable to quickly secure new meaningful EMC projects. Nonetheless, it is encouraging to see that the Group has signed more EMC projects in the second half of 2013 when compared with the first half. Most of these newly signed projects are still under installation at the end of 2013 and are expected to start to generate energy-saving income in 2014.

While the indirect wholly-owned subsidiary of the Company, Guangdong Zi Yu Tai Finance Leasing Company Limited ("Ziyutai"), continues to play an important role in funding the Group's LED business, it experienced slower growth in loans to outside parties due to deteriorating macro environment in China and ambiguity of the PRC tax authorities in the tax treatment for sale and lease back business. This led to Ziyutai temporarily putting on hold the sale and lease back business. At the beginning of 2014, the national tax department has clarified the tax treatment in favor of sale and lease back business on a national basis, which confirms that finance leasing companies such as Ziyutai can continue such leasing business.

CHAIRMAN'S STATEMENT

OUTLOOK

Whilst it is the government policy to encourage the natural gas development and the demand for natural gas in China is growing, there is fierce competition in the CNG and LPG businesses all over the PRC. In order to maintain profitability and competitiveness, economies of scale and operating efficiency is of paramount importance. The Group will strive to take measures to maintain its market share and manage costs to improve operating efficiency.

The Group will accelerate its LED project development on a nation-wide basis in 2014, targeting both the public road lighting EMC market as well as the indoor lighting EMC market for commercial users. After the LED market integration during the past two years, the Group has cooperated with several LED suppliers not only by purchasing their LED products at favorable terms, but also by sharing their existing sources and network during project development or acquiring their signed projects that they cannot finance under the EMC model. With experience gained over the past two years in the LED EMC business, the Group has established a mature team in technical support, project development, negotiation, management, financing and execution. Emphasis shall be made in both project development and risk management. Given the market demand and government support of energy saving projects, there are ample opportunities for the Group's LED business to grow in 2014.

The Group will continue to look for ways to better deploy its resources and new investment opportunities to enhance the shareholders' value.

Finally, I would like to extend my thanks to the board of directors of the Company, all staff, professionals and shareholders for their support during the year.

Ji Guirong

Chairman

Hong Kong

18 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's consolidated revenue increased by 8.9% to HK\$1,282,780,000 for the year ended 31 December 2013 (2012: HK\$1,177,611,000). The consolidated revenue was derived from its business of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") vehicle refueling stations in China, and also the businesses of light-emitting diode ("LED") energy management contracts ("EMC") and provision of finance lease and loan services. The growth in consolidated revenue was mainly attributed to growth in the gas business in the PRC.

The Group's gross profit for the year ended 31 December 2013 was HK\$267,849,000 (2012: HK\$229,209,000), representing an increase of 16.9% compared to last year mainly resulted from continuous growth in gas sales volume and stable price margins.

The Group made a loss attributable to owners of the parent for the year ended 31 December 2013 amounting to HK\$25,417,000 (2012: HK\$25,966,000). The consecutive loss attributable to owners of the parent was mainly caused by (i) lack of meaningful new LED contracts during the year, which led to insufficient EMC income to cover the rising operating expenses during project development, and (ii) increased finance costs for financing different business activities.

OPERATIONAL REVIEW

(1) Gas Business

The Group's gas business achieved steady growth and made positive contributions to the Group on a segment basis. The Group achieved sales volume of CNG and LPG amounted to 179,086,000 m³ and 47,737 tons respectively during the year, representing an increase of 1.7% and a decrease of 2.4% respectively over the last year. The decrease of LPG sales volume was mainly due to the alteration of LPG refueling stations into CNG stations in the North-eastern China district.

During the year, the Group's gas business faced intensified competition but still sought to expand its gas business in places where it had relative competitive strengths. In Chengdu, two new CNG stations have started operations under an existing joint venture during the year. In North-eastern China, all LPG stations have completed alteration into CNG stations and the LPG storage facility will start to operate in mid-2014. In Guangzhou, a new LPG station has started operation and in Shanxi, a CNG station has been demolished after receiving reasonable government compensation.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW (continued)

(2) LED Business

During the year, due to lack of new meaningful LED projects, sales revenue from the Group's LED business amounted to HK\$38.6 million, which is less than the sales of HK\$57.6 million from 2012. The segment result recorded a loss of HK\$15.9 million, which was mainly due to rising selling and distribution and administrative expenses among the LED subsidiaries in Beijing, Fujian, Zhejiang, Jiangsu, Guangdong and Jilin. Since the startup of LED business from March 2012, the Group has signed a variety of EMC contracts, ranging from large public road lighting EMC projects to indoor EMC projects for hotels, factories or schools. Currently the Group's total number of road lights under management is approximately 44,000 (2012: 11,700). Most of the LED projects signed during 2013 will complete installation and start to generate energy-saving income in 2014.

(3) Finance Leasing Business

For the year ended 31 December 2013, the Group's finance leasing segment registered total revenue of HK\$8.9 million, decreased by HK\$3.8 million from 2012. The decrease in revenue was due to lack of LED leasing projects and leasing projects for clients outside the Group. The ambiguity of tax treatment for sale and lease back projects in the PRC was one of the reasons for the slowdown of external leasing project development in 2013. The segment loss of the Group's finance leasing business in 2013 was HK\$5 million (2012: segment profit of HK\$2.3 million), resulted by a foreign currency loss for Ziyutai during 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

Whilst it is the government policy to encourage the natural gas development and the demand for natural gas in China is growing, there is fierce competition in the CNG and LPG businesses all over China. In order to maintain profitability and competitiveness, economies of scale and operating efficiency is of paramount importance. The Group will strive to take measures to maintain its market share and manage costs to improve operating efficiency.

In early August 2013, the State Council of the PRC issued a “Guideline on accelerating the development of energy-saving and environmental protection industry” (hereinafter referred to “the Guideline”), which specifically states to promote the development of semiconductor lighting industry and the application of energy management contracts. Various financial supports such as subsidies, rewards and interest discounts will be provided by the government to promote the social investment into EMC business, which will directly benefit the Group as two of our LED subsidiaries have been successfully listed in the official Energy Services Company Batch List as jointly approved by the National Development and Reform Commission and the Ministry of Finance in the PRC, meaning we can use signed EMC contracts to apply for subsidized funds if the application conditions are met.

In the past two years, other than direct project development by the Group’s LED subsidiaries themselves, the Group has also collaborated with selected LED suppliers, which lack capital to continue their LED EMC projects such that the Group could accelerate the project development process and obtain competitive purchase price with better quality guarantee terms. As the installation and acceptance of the EMC contracts signed in 2013 is gradually being completed, the Group believes its efforts will start to bear fruits in 2014. In addition to playing a very important strategic role to finance the Group’s LED business, Ziyutai is also negotiating several external finance leasing projects in other sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES

During the year ended 31 December 2013, the financial position of the Group was strengthened by the net proceeds of approximately HK\$142 million received from the issuance of 730,000,000 Company's ordinary shares in January 2013. The proceeds are used partly as reserve of cash resources to fund the future business expansion of the Group and partly as general working capital.

At 31 December 2013, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from a related company and convertible bond) amounted to approximately HK\$1,324 million (2012: HK\$363.7 million), of which HK\$958.4 million (2012: Nil) and HK\$162.6 million (2012: HK\$166.4 million) were related to bank borrowings at operating subsidiaries level funding the local PRC operations denominated in United States Dollars and Renminbi respectively. As a result, the Group's gearing ratio, representing the ratio of Group's total borrowings to total equity of HK\$1,181.8 million (2012: HK\$1,025.3 million) was 112% (2012: 35.5%). Cash and bank balances and pledged deposits amounted to HK\$1,367.7 million (2012: HK\$353.8 million). Net cash amounted to HK\$43.7 million (2012: net borrowing of HK\$9.9 million).

During the year ended 31 December 2013, the Group was not materially exposed to foreign currency risk.

DIVIDEND

The board of directors of the Company does not recommend the payment of dividend for the year ended 31 December 2013 (2012: Nil).

STAFF BENEFITS

At 31 December 2013, the Group had a total of 1,430 employees (2012: 1,340). The staff costs for the year ended 31 December 2013 amounted to approximately HK\$130.3 million (2012: HK\$98 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 2013, the Group had pledged certain properties, prepaid land lease payments, finance lease receivables and bank deposits for bills payable and certain bank borrowings granted.

EVENTS AFTER THE REPORTING PERIOD

- (a) On 4 December 2013, Beijing Sinogas Company Limited ("Beijing Sinogas"), an indirect non-wholly-owned subsidiary of the Company, and Shenzhen Sinogas Environmental Protection Technology Company Limited ("Shenzhen Sinogas"), an indirect wholly-owned subsidiary of the Company, entered into a transfer agreement, pursuant to which Beijing Sinogas has conditionally agreed to transfer its 55% equity interest in Jilin Sinogas Storage Company Limited ("Jilin Storage") to Shenzhen Sinogas for a cash consideration of RMB27,500,000. The transfer was completed on 3 January 2014. Upon completion, the Group's effective equity interest in Jilin Storage has increased from approximately 38.17% to 55%.
- (b) On 24 December 2013, Shanghai Shangju Enterprise Company Limited ("Shanghai Shangju"), an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a conditional acquisition agreement, pursuant to which Shanghai Shangju conditionally agreed to purchase and the independent third party conditionally agreed to sell the entire issued share capital of Shanghai Yunsheng International Trading Company Limited (上海勻盛國際貿易有限公司) ("Shanghai Yunsheng") for a cash consideration of HK\$142,200,000. Upon completion of the acquisition, Shanghai Yunsheng will become an indirect wholly-owned subsidiary of the Company. As at the reporting date, the acquisition has not yet completed and aggregate refundable deposit of HK\$92,272,000 was paid and held in escrow.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Ji Guirong, aged 52, was appointed as an executive director, the chairman, the chairman and a member of the remuneration committee of the Company in January 2005 and re-designated as a non-executive director of the Company in April 2007. Mr. Ji resigned as the chairman but remained as a member of the remuneration committee of the Company and was appointed as the chairman and a member of the nomination committee of the Company in March 2012. Mr. Ji is also a director of certain subsidiaries of the Company and certain companies controlled by certain substantial shareholders 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. Mr. Ji is an executive director, a deputy chairman and the chief executive officer of AVIC International Holding (HK) Limited ("AVIC Int'l", a company listed on The Stock Exchange of Hong Kong Limited), and a director of AVIC International (HK) Group Limited, Tacko International Limited and Speed Profit Enterprises Limited (all being substantial shareholders of the Company). Mr. Ji was a director and the vice chairman of NavInfo Co., Ltd., a company listed on Shenzhen Stock Exchange until 26 January 2014.

EXECUTIVE DIRECTORS

Mr. Ji Hui, aged 44, was appointed as an executive director of the Company in May 2005. He is currently the chief executive officer of the Company and a director of certain subsidiaries 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 22 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. Zang Zheng, aged 63, was appointed as an executive director of the Company in December 2010 and is also a director of certain subsidiaries of the Company. He is a vice president of a subsidiary of the Company since 2008. 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 in the past 33 years and has over 33 years of experience in management and investment.

BIOGRAPHICAL DETAILS OF DIRECTORS**EXECUTIVE DIRECTORS (continued)**

Mr. Zhang Chuanjun, aged 43, was appointed as an executive director of the Company on 3 May 2012. He is currently a vice president of the Company and a director of certain subsidiaries of the Company and certain companies controlled by certain substantial shareholders of the Company. Mr. Zhang holds a Master's degree and a Bachelor's degree in Management Accounting and is a senior accountant. He has over 21 years of experience in accounting and finance. Mr. Zhang is currently an executive director and the chief financial officer of AVIC Int'l, a deputy chief financial officer of AVIC International Holding Corporation, the chief financial officer of AVIC International (HK) Group Limited and a director of Speed Profit Enterprises Limited (all being substantial shareholders of the Company). He is also an executive director of Peace Map Holding Limited (formerly known as Mongolia Investment Group Limited), a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Zhang Ning, aged 45, was appointed as an executive director of the Company on 3 May 2012. Mr. Zhang is currently the chief financial officer of the Company and a director of certain subsidiaries of the Company. Mr. Zhang holds a Master of Business Administration Degree in Finance and Accounting from the Columbia Business School, the United States of America in 2000 and a Bachelor of Science Degree in Economics and Business Administration from the University of Pittsburgh, the United States of America in 1997. Mr. Zhang has worked for UBS Securities Asia Limited, Morgan Stanley and Boyer Allan Investment Management Group and has 13 years of experience in finance field.

Mr. Xiao Wei, aged 51, was re-designated as an executive director of the Company from an independent non-executive director and was appointed as a vice general manager of a subsidiary of the Company in November 2012. Mr. Xiao resigned as 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 in November 2012. He was appointed as an independent non-executive director in May 2005 and had been the chairman and a member of the audit committee and the remuneration committee of the Company, and a member of the nomination committee of the Company since April 2008. Mr. Xiao graduated from the Electric Engineering Department of Shanghai Tong Ji University. He has 29 years of experience in engineering and management.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Zhonghua, aged 52, was appointed as an independent non-executive director of the Company in January 2005. He is a member of each of the audit committee and the nomination committee of the Company. Mr. Wang is currently a member as well as an examiner of the Royal Institution of Chartered Surveyors (MRICS). Mr. Wang holds a Bachelor's Degree in Engineering from Lanzhou Jiaotong University. Mr. Wang is a Senior Engineer, Registered Consulting (Investment) Engineer, Supervising Engineer, Pricing Engineer, Tenderer; Mr. Wang is also a senior expert in Shenzhen Construction Bureau, inspectorate expert of Shenzhen Development and Reform Bureau, member of Guangdong Province Senior Engineer (Railway Engineering Specialized) Evaluation Committee, member of Shenzhen Senior Engineer (Construction Management Specialized and Pricing Specialized) Evaluation Committee, and senior member of Shenzhen Pricing Engineers Association. Mr. Wang has been working in the engineering field for over 31 years with extensive experience. He has been serving Shenzhen Province Mass Transit Railway Company Limited since 1993.

Mr. Zhong Qiang, aged 46, was appointed as an independent non-executive director of the Company in February 2005. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Zhong graduated from Changsha Railway University. Mr. Zhong is an accountant and has been working in the accounting field for over 23 years with extensive experience. He is currently a director of Shanghai Jun Zheng Ke Mao Company Limited.

Mr. Hu Xiaowen, age 38, was appointed as an independent non-executive director of the Company in 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 obtained his Master Degree in Accounting from Capital University of Economics and Business, the PRC in 2004 and obtained his Bachelor Degree in Accountancy from Central University of Finance and Economics, the PRC in 1997. Mr. Hu served as the financial controller of Beijing Bosheng Advanced Technology Co. Ltd. since August 2012. During June 2004 to April 2012, he was working in Tongfang Co. Ltd. as the financial manager and financial controller respectively in digital TV department. In April 2001 to January 2003, Mr. Hu served as the financial controller of Beijing Foseb Auctioneers. He has over 12 years of experience in financial planning and management, mergers and acquisitions and corporate finance field.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

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.

RESULTS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 43 to 169.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 170. 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 BOND

Details of movements in the Company's share capital, share options and convertible bond during the year are set out in notes 36, 37 and 34 to the financial statements, respectively.

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.

REPORT OF THE DIRECTORS

NEW SHARES ISSUED

As at 31 December 2013, the total number of issued shares of the Company was 4,383,782,539. As compared with the position of 31 December 2012, a total of 730,000,000 new shares were issued during the year.

On 17 January 2013, the Company entered into a placing and subscription agreement for the placement up to 730,000,000 placing shares at a price of HK\$0.2 per placing share. The share placing arrangement was completed on 28 January 2013. The net proceeds of approximately HK\$142 million are used by the Company partly as reserve of cash resources to fund the future business expansion of the Group and partly as general working capital.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company had no reserves available for distribution in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 19% of the total sales for the year and sales to the largest customer included therein amounted to 7%. Purchases from the Group's five largest suppliers accounted for 64% of the total purchases for the year and purchases from the largest supplier included therein amounted to 26%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued 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*)

Xiao Wei

Independent non-executive directors:

Wang Zhonghua

Zhong Qiang

Hu Xiaowen

In accordance with article 87 of the Company's articles of association (the "Articles") and the code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Zang Zheng, Mr. Wang Zhonghua and Mr. Zhong Qiang will retire by rotation 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 annual confirmations of independence from Mr. Wang Zhonghua, Mr. Zhong Qiang and Mr. Hu Xiaowen 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 10 to 12 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.

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.

Mr. Zhang Ning has entered into a service contract with the Company which commenced on 14 September 2011 and is subject to termination by either party giving not less than one month's written notice.

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 general meetings. Other emoluments are determined by the Company's remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save for Mr. Ji Guirong (a director of the Company) who is also a director of AVIC International Holding (HK) Limited ("AVIC Int'l"), Tacko International Limited and Speed Profit Enterprises Limited ("Speed Profit") (all are the substantial shareholders of the Company); and Mr. Zhang Chuanjun (a director of the Company) who is also a director of AVIC Int'l and Speed Profit (all are the substantial shareholders of the Company) and a director of Peace Map Holding Limited (formerly known as Mongolia Investment Group Limited) in which the Company holds approximately 9.56% equity interest, 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 2013, the interests and short positions of the directors and chief executive 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 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
Zhang Ning	30,000,000
	154,350,000

Save as disclosed above, as at 31 December 2013, 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 37 to the financial statements.

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

Name or category of participant	Number of share options					At 31 December 2013	Date of grant of share options ¹	Exercise period of share options	Exercise price of share options HK\$ per share ²
	At 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year				
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	15,000,000	-	-	-	-	15,000,000	13-6-12	13-6-13 to 12-6-22	0.236
	15,000,000	-	-	-	-	15,000,000	13-6-12	13-6-14 to 12-6-22	0.236
	30,000,000	-	-	-	-	30,000,000			
	154,350,000	-	-	-	-	154,350,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

The following table discloses movements in the Company's share options under the Scheme outstanding during the year: (continued)

Name or category of participant	Number of share options					At 31 December 2013	Date of grant of share options ¹	Exercise period of share options	Exercise price of share options HK\$ per share ²
	At 1 January 2013	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year				
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	-	-	-	-	24,490,000	13-6-12	13-6-13 to 12-6-22	0.236
	24,490,000	-	-	-	-	24,490,000	13-6-12	13-6-14 to 12-6-22	0.236
	347,930,000	-	-	-	-	347,930,000			
Other employees									
In aggregate	78,750,000	-	-	-	(3,750,000)	75,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	581,030,000	-	-	-	(3,750,000)	577,280,000			

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

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. 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 2013, the following persons had interests or short positions of 5% or more of the issued share capital and convertible bond of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	<i>Notes</i>	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of convertible shares (issuable under the convertible bond) held	Percentage of the Company's issued share capital if the convertible shares were exercised
Billirich Investment Limited ("Billirich")	(a)	Long	Beneficial owner	1,031,595,000	23.53%	220,322,859	5.03%
AVIC International Holding (HK) Limited ("AVIC Int'l")	(a)	Long	Interest of a controlled corporation	1,031,595,000	23.53%	220,322,859	5.03%
Tacko International Limited	(a)	Long	Interest of a controlled corporation	1,031,595,000	23.53%	220,322,859	5.03%
AVIC International (HK) Group Limited	(a)	Long	Beneficial owner and interest of a controlled corporation	1,535,618,891	35.03%	220,322,859	5.03%
AVIC International Holding Corporation	(a)	Long	Interest of a controlled corporation	1,535,618,891	35.03%	220,322,859	5.03%
Aviation Industry Corporation of China ("AVIC")	(a)	Long	Interest of a controlled corporation	1,535,618,891	35.03%	220,322,859	5.03%

REPORT OF THE DIRECTORS

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 issued share capital	Number of convertible shares (issuable under the convertible bond) held	Percentage of the Company's issued share capital if the convertible shares were exercised
Grand Win Overseas Ltd. ("Grand Win")	(b)	Long	Beneficial owner	313,965,000	7.16%	-	-
Sun Shining Investment Corp.	(b)	Long	Interest of a controlled corporation	313,965,000	7.16%	-	-
Tai Yuen Textile Company Ltd.	(b)	Long	Interest of a controlled corporation	313,965,000	7.16%	-	-

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 41.03% 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) 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 2013, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "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.

REPORT OF THE DIRECTORS

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, 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"), which is 45% owned by Shanghai Han Zhong Hang Yue Enterprise Management Consultancy Limited ("Shanghai HZHY"). Shanghai HZHY is wholly-owned by AVIC International Holding (HK) Limited. Pursuant to the financing agreement, Ziyutai has 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. As at 31 December 2013, facility of RMB13,600,000 (equivalent to approximately HK\$17,272,000) was utilised by Shanghai Lanpei, and interest income of HK\$709,000 was received by Ziyutai for the year ended 31 December 2013.

On 2 December 2013, Suzhou Target Lighting Company Limited ("Suzhou Target"), an indirect 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 issued 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 48 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

18 March 2014

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 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 below:

- (i) under code provision A.4.1 of the CG Code, non-executive Directors ("Non-Executive Directors") of the Company should be appointed for a specific term, subject to re-election. The Non-Executive Directors have not been appointed for a specific term but are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "Articles").
- (ii) under code provision A.6.7 of the CG Code, independent non-executive Directors ("INEDs") of the Company and other Non-Executive Directors should attend general meetings of the Company. Two INEDs and the Non-Executive Director were unable to attend the annual general meeting of the Company (the "AGM") held on 21 June 2013 due to other business commitments. However, there were sufficient executive directors and INED present to enable the Board to develop a balanced understanding of the views of the Shareholders.
- (iii) under code provision D.1.4 of the CG Code, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointments. The Company did not have formal letters of appointment for Directors. However, the Directors are subject to retirement and re-election in accordance with the Articles. Moreover, the 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" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. In addition, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements, and the Company's corporate governance policies.

CORPORATE GOVERNANCE REPORT

- (iv) under code provision E.1.2 of the CG Code, the chairman of the Board should attend the AGM. Due to other prearranged business commitments which must be attended by Mr. Ji Guirong, the chairman of the Company, he was not present at the AGM held on 21 June 2013. However, Mr. Ji Hui, the chief executive officer and an executive Director, took the chair of that meeting, one INED, being the chairman of audit and remuneration committees, and the delegate of the nomination committee, and other three executive Directors were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

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, 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 (<i>Chairman</i>)
Executive Directors:	Ji Hui (<i>Chief Executive Officer</i>) Zang Zheng Zhang Chuanjun Zhang Ning (<i>Chief Financial Officer</i>) Xiao Wei
INEDs:	Wang Zhonghua Zhong Qiang Hu Xiaowen

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors are set out in the “Biographical Details of Directors” section on pages 10 to 12 of this annual report. The Directors have no other financial, business, family or other material/relevant relationships with one another.

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 REPORT

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 2013, the Board had considered the following corporate governance matters:

- (a) adoption of 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 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 2013, four Board meetings were held and the attendance records of each Director at the Board, committees and general meetings are set out below:

Name of Directors	Number of meetings attended/held				General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Non-Executive Director					
Mr. Ji Guirong	4/4		1/1	1/1	0/1
Executive Directors					
Mr. Ji Hui	3/4				1/1
Mr. Zang Zheng	4/4				1/1
Mr. Zhang Chuanjun	4/4				0/1
Mr. Zhang Ning	3/4				1/1
Mr. Xiao Wei	4/4				1/1
INEDs					
Mr. Wang Zhonghua	4/4	2/2		1/1	0/1
Mr. Zhong Qiang	4/4	2/2	1/1	1/1	0/1
Mr. Hu Xiaowen	3/4	2/2	1/1	1/1	1/1

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.

CORPORATE GOVERNANCE REPORT

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.

Board Diversity

Pursuant to code provision A.5.6 of the CG Code, which came into effect on 1 September 2013, stipulates that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report.

The Company adopted the board diversity policy (the "Board Diversity Policy") in August 2013 which sets 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. Directors' appointments will be based on merit and candidates will be considered against measurable objectives, taking into account the Company's business and needs.

Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board.

INEDs

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.

CORPORATE GOVERNANCE REPORT

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 the Listing Rules.

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 2013 is summarised below:

Name of Directors	Participation of Continuous Professional Development Activities	
	Attending training(s)/or briefing/seminar(s)/or conference	Reading Regulatory and updates
Non-Executive Director		
Mr. Ji Guirong (<i>Chairman</i>)	✓	✓
Executive Directors		
Mr. Ji Hui (<i>Chief Executive Officer</i>)		✓
Mr. Zang Zheng		✓
Mr. Zhang Chuanjun	✓	✓
Mr. Zhang Ning (<i>Chief Financial Officer</i>)		✓
Mr. Xiao Wei		✓
INEDs		
Mr. Wang Zhonghua		✓
Mr. Zhong Qiang		✓
Mr. Hu Xiaowen	✓	✓

CORPORATE GOVERNANCE REPORT

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 statute 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 AGM 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, 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 "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 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 decision 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

The Audit Committee comprises three INEDs, namely, Mr. Hu Xiaowen (Chairman of the Audit Committee), Mr. Wang Zhonghua and Mr. Zhong Qiang. The Audit Committee is chaired by an INED with appropriate professional qualifications, or accounting or related financial management expertise.

The Audit Committee shall meet at least twice a year. During the year ended 31 December 2013, 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.

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, identifying and making 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

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, 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) discussed with the external auditor of its independent review of the interim financial report and its annual audit of the consolidated financial statement; and
- (iv) 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) and Mr. Zhong Qiang, both 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 2013, one meeting of the Remuneration Committee was 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 set out in notes 9 and 10 to the financial statements.

The terms of reference of the Remuneration Committee includes 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 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 commitment 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 2013, the Remuneration Committee has held one meeting and the committee performed the following duties:

- (a) reviewed and recommended the existing policy 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. Wang Zhonghua, Mr. Zhong Qiang and Mr. Hu Xiaowen, all are INEDs.

The Nomination Committee shall meet at least once a year. During the year ended 31 December 2013, one meeting of the Nomination Committee was 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 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 Nomination Committee are:

- (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually 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 2013, the Nomination Committee has held one meeting 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) reviewed and recommended for the Board's approval the proposed resolutions of the retiring Directors at the AGM;
- (c) reviewed and recommended for the Board's approval the Board Diversity Policy and the revised terms of reference of the Nomination Committee; and
- (d) reviewed the annual confirmation of independence submitted by the INEDs and assessed their independence.

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 compliance of 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 2013 is sufficient to safeguard the interests of the Group's assets.

In 2013, 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 2013, the remuneration paid or payable to the Company's auditor, Ernst & Young, is set out below:

Services rendered for the Group	HK\$'000
Audit services	2,750
Non-audit services <i>(including review of interim results and transactions)</i>	678
Total	3,428

CORPORATE GOVERNANCE REPORT

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 up to the year ended 31 December 2013. 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 website of 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 prearranged business commitments which must be attended by Mr. Ji Guirong, the Chairman of the Company, he was not present at the AGM held on 21 June 2013. However, Mr. Ji Hui, the Chief Executive Officer and an Executive Director, took the chair of that meeting, one INED, being the chairman of audit and remuneration committees, and the delegate of the nomination committee, and other three Executive Directors were present thereat to be available to answer any question 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.

CORPORATE GOVERNANCE REPORT

The notice to Shareholders is to be sent at least 20 clear business days before an AGM and at least 10 clear business days before a meeting other than an AGM. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman 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.

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 request 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 2013, 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

安永會計師事務所
香港中環添美道1號
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To the shareholders of China Environmental Investment Holdings Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Environmental Investment Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 169, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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 2013, 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

18 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

		2013	2012
	Notes	HK\$'000	HK\$'000
REVENUE	6	1,282,780	1,177,611
Cost of sales		(1,014,931)	(948,402)
Gross profit		267,849	229,209
Other income and gains	6	18,711	23,257
Selling and distribution expenses		(115,031)	(93,863)
Administrative expenses		(159,272)	(127,807)
Other operating expenses, net		(1,332)	(17,035)
Finance costs	8	(21,964)	(16,911)
Gain on deemed disposal of an associate		30,367	–
Share of profits and losses of joint ventures		(285)	7,281
Share of profits and losses of an associate		(12,411)	(95)
PROFIT BEFORE TAX	7	6,632	4,036
Income tax expense	11	(23,053)	(25,609)
LOSS FOR THE YEAR		(16,421)	(21,573)
Attributable to:			
Owners of the parent	12	(25,417)	(25,966)
Non-controlling interests		8,996	4,393
		(16,421)	(21,573)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		(HK0.59 cents)	(HK0.75 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
LOSS FOR THE YEAR		(16,421)	(21,573)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Change in fair value		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)	(239)
Exchange differences on translation of foreign operations		22,223	28,810
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries		(12,132)	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		26,750	28,571
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,329	6,998
Attributable to:			
Owners of the parent	12	(474)	(403)
Non-controlling interests		10,803	7,401
		10,329	6,998

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	446,460	406,355
Investment properties	15	36,059	5,787
Prepaid land lease payments	16	52,184	51,943
Goodwill	17	150,518	150,518
Intangible assets	18	15,000	16,022
Investments in joint ventures	20	65,869	54,800
Investment in an associate	21	–	98,954
Available-for-sale investment	23	160,683	–
Concession finance receivables	25	43,199	45,469
Trade receivables	26	22,613	–
Prepayments and deposits	27	165,992	131,540
Finance lease receivables	28	12,478	9,691
Total non-current assets		1,171,055	971,079
CURRENT ASSETS			
Inventories	22	3,030	4,706
Assets held for sale	24	23,600	–
Trade and bills receivables	26	129,440	70,927
Prepayments, deposits and other receivables	27	43,437	56,658
Finance lease receivables	28	14,335	18,073
Due from non-controlling shareholders	44(b)(i)	29,357	27,784
Due from joint ventures	44(b)(ii)	37,042	7,024
Loan receivable from a related company	44(b)(iv)	6,350	–
Investment at fair value through profit or loss	29	–	3,317
Pledged deposits	30	985,470	–
Cash and bank balances	30	382,273	353,838
Total current assets		1,654,334	542,327
CURRENT LIABILITIES			
Trade and bills payables	31	191,496	44,945
Other payables and accruals	32	79,892	47,352
Interest-bearing bank and other borrowings	33	1,078,126	142,963
Due to non-controlling shareholders	44(b)(i)	15,399	4,745
Due to a joint venture	44(b)(ii)	449	556
Tax payable		16,243	18,318
Total current liabilities		1,381,605	258,879
NET CURRENT ASSETS		272,729	283,448
TOTAL ASSETS LESS CURRENT LIABILITIES		1,443,784	1,254,527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT LIABILITIES			
Convertible bond	34	47,618	44,182
Interest-bearing bank and other borrowings	33	51,096	25,605
Loans from a related company	44(b)(iii)	147,179	150,937
Deferred tax liabilities	35	5,163	3,724
Other payables	32	10,938	4,828
Total non-current liabilities		261,994	229,276
Net assets		1,181,790	1,025,251
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	876,757	730,757
Equity component of convertible bond	34	21,686	21,686
Reserves	38(a)	187,519	195,031
		1,085,962	947,474
Non-controlling interests		95,828	77,777
Total equity		1,181,790	1,025,251

Ji Hui
Director

Zhang Ning
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

Notes	Attributable to owners of the parent											Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Equity component of convertible bond	Special capital reserve	Exchange fluctuation reserve	Reserve funds	Capital redemption reserve	Accumulated losses	Total			
	HK\$'000 (note 36)	HK\$'000 (note 36)	HK\$'000 (note 36)	HK\$'000 (note 34)	HK\$'000 (note 38(a))	HK\$'000	HK\$'000 (note 38(a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2012	487,171	829,393	36,514	-	828,646	76,850	4,936	3,865	(1,588,278)	679,097	93,102	772,199	
Loss for the year	-	-	-	-	-	-	-	-	(25,966)	(25,966)	4,393	(21,573)	
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	-	-	-	-	-	25,802	-	-	-	25,802	3,008	28,810	
Reserve released on deemed disposal of a joint venture	-	-	-	-	-	(239)	-	-	-	(239)	-	(239)	
Total comprehensive income for the year	-	-	-	-	-	25,563	-	-	(25,966)	(403)	7,401	6,998	
Disposal of subsidiaries	40(a)	-	-	-	-	-	-	-	-	-	(1,159)	(1,159)	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(21,567)	(21,567)	
Issue of shares	36	243,586	-	-	-	-	-	-	-	243,586	-	243,586	
Share issue expenses	36	-	(50)	-	-	-	-	-	-	(50)	-	(50)	
Issue of convertible bond	34	-	-	21,686	-	-	-	-	-	21,686	-	21,686	
Equity-settled share option arrangements	37	-	-	3,558	-	-	-	-	-	3,558	-	3,558	
Transfer of share option reserve upon forfeiture of share options	36	-	265	(265)	-	-	-	-	-	-	-	-	
At 31 December 2012	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	

Notes	Attributable to owners of the parent											Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Equity component of convertible bond	Available-for-sale investment revaluation reserve	Special capital reserve	Exchange fluctuation reserve	Reserve funds	Capital redemption reserve	Accumulated losses	Total		
	HK\$'000 (note 36)	HK\$'000 (note 36)	HK\$'000 (note 36)	HK\$'000 (note 34)	HK\$'000	HK\$'000 (note 38(a))	HK\$'000	HK\$'000 (note 38(a))	HK\$'000	HK\$'000	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 an available-for-sale investment, 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 realised 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 a joint venture	-	-	-	-	-	-	(300)	-	-	-	(300)	-	(300)
Total comprehensive income for the year	-	-	-	-	15,661	-	9,282	-	-	(25,417)	(474)	10,803	10,329
Issue of shares	36	146,000	-	-	-	-	-	-	-	-	146,000	-	146,000
Share issue expenses	36	-	(4,277)	-	-	-	-	-	-	-	(4,277)	-	(4,277)
Equity-settled share option arrangements	37	-	-	4,101	-	-	-	-	-	-	4,101	-	4,101
Transfer of share option reserve upon forfeiture of share options	36	-	265	(265)	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	(6,862)	(6,862)	6,862	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	1,270	1,270
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	(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

* These reserve accounts comprise the consolidated reserves of HK\$187,519,000 (2012: HK\$195,031,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,632	4,036
Adjustments for:			
Finance costs	8	21,964	16,911
Depreciation on property, plant and equipment	7	48,519	49,082
Depreciation on investment properties	7	724	127
Amortisation of intangible assets	7	1,045	879
Amortisation of prepaid land lease payments	7	4,642	1,750
Impairment of items of property, plant and equipment	7	11,962	2,315
Loss on disposal of items of property, plant and equipment	7	1,629	310
Interest income	6	(1,960)	(2,183)
Finance income on concession finance and trade receivables	6	(3,694)	(1,425)
Impairment/(reversal of impairment) of trade receivables	7	(12,628)	12,330
Impairment of deposits and other receivables	7	208	1,860
Provision for slow-moving inventories	7	1,805	-
Equity-settled share option expense	37	4,101	3,558
Gain on deemed disposal of an associate	7	(30,367)	-
Gain on deemed disposal of a joint venture	6	(4,005)	(5,864)
Gain on disposal of subsidiaries	6	-	(3,837)
Fair value loss of an investment at fair value through profits or loss	7	-	220
Loss on disposal of an investment at fair value through profits or loss	7	161	-
Share of profits and losses of joint ventures		285	(7,281)
Share of profits and losses of an associate		12,411	95
		63,434	72,883
Increase in inventories		(16)	(344)
Increase in trade and bills receivables	40(b)(ii)	(69,243)	(27,738)
Decrease/(increase) in prepayments, deposits and other receivables		(18,023)	20,283
Decrease/(increase) in concession finance receivables	40(b)(ii)	5,908	(44,612)
Decrease/(increase) in finance lease receivables		1,547	(27,040)
Movement in balances with joint ventures		(31,380)	6,138
Increase/(decrease) in trade and bills payables		138,615	(2,327)
Increase/(decrease) in other payables and accruals		28,330	(14,375)
Decrease in an amount due to an associate		-	(1,997)
Cash generated from/(used in) operations		119,172	(19,129)
Overseas taxes paid		(24,222)	(24,777)
Net cash flows from/(used in) operating activities		94,950	(43,906)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6	1,960	2,183
Purchases of items of property, plant and equipment	14,40(b)(i)	(71,123)	(60,236)
Purchases of assets held for sale	24	(23,600)	-
Proceeds from disposal of items of property, plant and equipment		31,863	3,717
Increase in prepaid land lease payments	16	(4,825)	(27,678)
Purchase of an investment at fair value through profit or loss		-	(3,537)
Proceeds from disposal of an investment at fair value through profit or loss		3,236	-
Acquisition of intangible assets	18	-	(992)
Acquisition of subsidiaries	39	(78,097)	(6,650)
Acquisition of an associate	21,40(b)(iii)	-	(98,954)
Disposal of subsidiaries	40(a)	-	11,784
Purchase of an available-for-sale investment	40(b)(iii)	(28,113)	-
Capital injection to a joint venture		(6,350)	-
Net cash flows used in investing activities		(175,049)	(180,363)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	36	146,000	243,586
Share issue expenses	36	(4,277)	(50)
Interest paid on bank and other loans	8	(17,940)	(13,470)
Interest paid on convertible bond	34	(1,036)	(517)
Repayment of bank loans		(125,973)	(107,126)
Repayment of other loans		-	(11,743)
New bank and other loans		124,206	148,509
Repayment of loans from a shareholder		-	(40,974)
Repayment of loans from a related company		(114,573)	-
Loans from a related company		110,815	150,937
Capital contribution from a non-controlling shareholder		1,270	-
Advance from non-controlling shareholders, net		9,639	37,750
Dividend paid to a non-controlling shareholder		(884)	(21,567)
Net cash flows from financing activities		127,247	385,335
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		47,148	161,066
Cash and cash equivalents at beginning of year		353,838	186,748
Effect of foreign exchange rate changes, net		8,363	6,024
CASH AND CASH EQUIVALENTS AT END OF YEAR		409,349	353,838

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	2013	2012
	HK\$'000	HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the consolidated statement of financial position	382,273	353,838
Pledged deposits with original maturity of less than three months when acquired	27,076	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	409,349	353,838

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	849	1,687
Investments in subsidiaries	19	890,795	815,847
Total non-current assets		891,644	817,534
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	1,049	1,072
Due from subsidiaries	19	78,619	78,619
Cash and bank balances	30	73,603	7,835
Total current assets		153,271	87,526
CURRENT LIABILITIES			
Other payables and accruals	32	2,830	2,756
Interest-bearing bank and other borrowings	33	2,150	2,150
Due to a subsidiary	19	62,230	54,574
Total current liabilities		67,210	59,480
NET CURRENT ASSETS		86,061	28,046
TOTAL ASSETS LESS CURRENT LIABILITIES		977,705	845,580
NON-CURRENT LIABILITIES			
Convertible bond	34	47,618	44,182
Loans from a related company	44(b)(iii)	147,179	150,937
Total non-current liabilities		194,797	195,119
Net assets		782,908	650,461
EQUITY			
Issued capital	36	876,757	730,757
Equity component of convertible bond	34	10,518	10,518
Reserves	38(b)	(104,367)	(90,814)
Total equity		782,908	650,461

Ji Hui
Director

Zhang Ning
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. CORPORATE INFORMATION

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") and liquefied petroleum gas ("LPG") refueling stations, management and operation of light-emitting diode ("LED") energy management contracts ("EMC") and trading of LED products and provision of finance lease and loan services.

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"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment at fair value through profit or loss and an available-for-sale investment, which have been measured at fair value. Assets held for sale are 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.

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 2013. The financial statements of the subsidiaries are prepared for the same reporting period as 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.1 BASIS OF PREPARATION (continued)**Basis of consolidation (continued)**

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Fair Value Measurement</i>
HKFRS 13	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 36 Amendments	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
HK(IFRIC)-Int 20	Amendments to a number of HKFRSs issued in June 2012
<i>Annual Improvements 2009-2011 Cycle</i>	

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Other than as further explained below regarding the impact of HKFRS 13, HKAS 1 Amendments and HKAS 36 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

- (a) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and an available-for-sale investment are included in notes 15 and 23 to the financial statements.
- (b) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified. The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.
- (c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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	<i>Financial Instruments</i> ⁴
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs issued in December 2013 ²
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs issued in December 2013 ²

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

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

⁴ No mandatory effective date yet determined but is available for adoption

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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 are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

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 are stated at cost less any impairment losses.

Investments in an associate 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 an associate 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments in an associate and joint ventures (continued)**

The Group's share of the post-acquisition results and other comprehensive income of an associate 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 an associate 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 associate or joint ventures are eliminated to the extent of the Group's investment in an associate or investments in joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate or joint ventures is included as part of the Group's investment in an associate 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.

The results of an associate 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 an associate 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 Non-current Assets Held for Sale and Discontinued Operations.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 by 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 disposed operation and the portion of the cash-generating unit retained.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fair value measurement (continued)**

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of non-financial assets (continued)**

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.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Related parties (continued)**

- (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).

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment and depreciation (continued)**

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Intangible assets (other than goodwill) (continued)***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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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:

Investment at fair value through profit or loss

Investment at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 and debt securities. 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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 policies 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 2013

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, an 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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.

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.

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 and a joint venture, a related company and interest-bearing loans and other borrowings.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 for the current and prior periods 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.

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, an associate 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Income tax (continued)**

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, an associate 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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 and gas-related products and trading of LED 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concession arrangements (continued)

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.

Contracts for services

Contract revenue on the rendering of 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.

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 37 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Share-based payments (continued)**

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 2013 was HK\$150,518,000 (2012: 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;

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 at 31 December 2013 was HK\$36,059,000 (2012: HK\$5,787,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, 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\$11,962,000 (2012: HK\$2,315,000) 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 2013 were HK\$446,460,000 (2012: HK\$406,355,000) and HK\$849,000 (2012: HK\$1,687,000), respectively. The carrying amount of the Group's investment properties at 31 December 2013 was HK\$36,059,000 (2012: HK\$5,787,000). More details are given in notes 14 and 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 (2012: HK\$146,235,000) and HK\$87,865,000 (2012: HK\$55,993,000), respectively, as at 31 December 2013. Further details are given in note 35 to the financial statements.

Trade receivables

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 presents value of those cash flows. The Group allows certain customers to make payments in equal monthly, bimonthly or quarterly installments over a period of ranging from five to ten years. Any revision to such estimates and discount rate as additional information may effect the carrying amounts of trade receivables. For the year ended 31 December 2013, the discount rate was approximately 15% (2012: Nil) per annum. As at 31 December 2013, trade receivables due after one year was HK\$22,613,000 (2012: Nil).

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 form from the original estimates, such differences will effect the carrying amounts of finance lease receivables. The carrying amount of finance lease receivables as at 31 December 2013 was HK\$26,813,000 (2012: HK\$27,764,000). Further details are given in note 28 to the financial statements.

Impairment of prepayments, deposits and other receivables

The Group maintains an allowance for estimated losses arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade and bill receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**Estimation uncertainty (continued)***Impairment of prepayments, deposits and other receivables (continued)*

As at 31 December 2013, the directors had conducted impairment testing on the Group's trade and bills receivables, and 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\$208,000 (2012: HK\$1,860,000) was charged to the consolidated statement of profit or loss during the year.

The carrying amounts of the Group's and the Company's prepayments, deposits and other receivables at 31 December 2013 were HK\$209,429,000 (2012: HK\$188,198,000) and HK\$1,049,000 (2012: HK\$1,072,000), respectively. Further details are given in note 27 to the financial statements.

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.

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. A provision for slow-moving inventories of HK\$1,805,000 (2012: Nil) was charged to the consolidated statement of profit or loss during the year. The carrying amount of the Group's inventories as of 31 December 2013 was HK\$3,030,000 (2012: HK\$4,706,000), respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

5. SEGMENT INFORMATION

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

- (a) Sales of CNG, LPG and petroleum products of the Group's gas station operation;
- (b) Management and operation of LED EMC and trading of LED products; and
- (c) Provision of finance lease and loan services.

Segment performance is evaluated based on operating profit, which is a measure of adjusted reportable segment profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, loss on disposal of and fair value loss on 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 as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents, an investment at fair value through profit or loss, 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, convertible bond, 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 assets 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 2013

5. SEGMENT INFORMATION (continued)**Year ended 31 December 2013**

	Sales of CNG, LPG and petroleum products HK\$'000	Management and operation of LED EMC and trading of LED products 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
<i>Reconciliation:</i>				
Elimination of intersegment revenue				(6,154)
Revenue				1,282,780
Segment results	58,230	(15,895)	(5,043)	37,292
<i>Reconciliation:</i>				
Interest income				1,960
Gain on deemed disposal of an associate				30,367
Gain on deemed disposal of a joint venture				4,005
Loss on disposal of an investment at fair value through profit or loss				(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)

NOTES TO FINANCIAL STATEMENTS

31 December 2013

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2013

	Sales of CNG, LPG and petroleum products HK\$'000	Management and operation of LED EMC and trading of LED products 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
<i>Reconciliation:</i>				
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
<i>Reconciliation:</i>				
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)
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 2013

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2012

	Sales of CNG, LPG and petroleum products HK\$'000	Management and operation of LED EMC and trading of LED products HK\$'000	Provision of finance lease and loan services HK\$'000	Total HK\$'000
Segment revenue:				
Revenue from external customers	1,111,965	57,553	–	1,169,518
Interest revenue	–	–	8,093	8,093
Intersegment revenue	–	–	4,545	4,545
	1,111,965	57,553	12,638	1,182,156
<i>Reconciliation:</i>				
Elimination of intersegment revenue				(4,545)
Revenue				1,177,611
Segment results	49,754	(10,010)	2,338	42,082
<i>Reconciliation:</i>				
Interest income				2,183
Fair value loss on an investment at fair value through profit or loss				(220)
Gain on disposal of subsidiaries				3,837
Gain on deemed disposal of a joint venture				5,864
Finance costs				(16,911)
Corporate and other unallocated expenses				(32,799)
Profit before tax				4,036
Income tax expense				(25,609)
Loss for the year				(21,573)

NOTES TO FINANCIAL STATEMENTS

31 December 2013

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2012

	Sales of CNG, LPG and petroleum products HK\$'000	Management and operation of LED EMC and trading of LED products HK\$'000	Provision of finance lease and loan services HK\$'000	Total HK\$'000
Segment assets	844,354	158,616	195,292	1,198,262
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(140,428)
Corporate and other unallocated assets				455,572
Total assets				1,513,406
Segment liabilities	101,933	72,824	8,543	183,300
<i>Reconciliation:</i>				
Elimination of intersegment payables				(140,428)
Corporate and other unallocated liabilities				445,283
Total liabilities				488,155
Other segment information:				
Share of profits and losses of:				
Joint ventures	7,281	–	–	7,281
An associate	–	–	(95)	(95)
Impairment losses recognised in the statement of profit or loss	16,505	–	–	16,505
Depreciation and amortisation	50,405	927	99	51,431
Investments in joint ventures	54,800	–	–	54,800
Capital expenditure*	85,785	17,842	543	104,170

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

6. REVENUE, OTHER INCOME AND GAINS

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

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

	2013	2012
	HK\$'000	HK\$'000
Revenue		
Sales of CNG, LPG and petroleum products	1,241,453	1,111,965
Construction revenue of LED EMC	-	46,436
Operation revenue of LED EMC and trading of LED products	38,594	11,117
Interest income on finance leases and loans	2,733	8,093
	1,282,780	1,177,611
Other income		
Interest income	1,960	2,183
Commission income	1,621	-
Advisory and maintenance service income on operation of gas stations	-	3,127
Trading of petroleum and gas-related products	364	523
Finance income on concession finance and trade receivables	3,694	1,425
Government grants received*	3,418	2,016
Gross rental income	3,649	3,437
Others	-	845
	14,706	13,556
Gains		
Gain on disposal of subsidiaries	-	3,837
Gain on deemed disposal of a joint venture	4,005	5,864
	4,005	9,701
	18,711	23,257

* 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

7. PROFIT BEFORE TAX

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

	Notes	2013 HK\$'000	2012 HK\$'000
Cost of inventories sold*		943,309	857,328
Construction, operation costs of LED EMC and cost of LED products sold*		27,083	57,040
Cost of finance lease and loan services provided*		107	476
Auditors' remuneration		3,630	2,950
Depreciation on property, plant and equipment	14	48,519	49,082
Depreciation on investment properties	15	724	127
Amortisation of prepaid land lease payments	16	4,642	1,750
Amortisation of intangible assets	18	1,045	879
Gain on deemed disposal of a joint venture	6	(4,005)	(5,864)
Gain on deemed disposal of an associate		(30,367)	–
Loss on disposal of items of property, plant and equipment**		1,629	310
Loss on disposal of an investment at fair value through profit or loss**	29	161	–
Impairment of items of property, plant and equipment**	14	11,962	2,315
Impairment/(reversal of impairment) of trade receivables**	26	(12,628)	12,330
Impairment of deposits and other receivables**	27	208	1,860
Provision for slow-moving inventories*		1,805	–
Minimum lease payments under operating leases in respect of land and buildings		28,532	21,739
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages, salaries, allowances and benefits in kind		120,930	89,885
Equity-settled share option expense		2,543	2,206
Pension scheme contributions		153	168
		123,626	92,259
Rental income less direct operating expenses of HK\$478,000 (2012: HK\$401,000)		(3,171)	(3,036)
Fair value loss on an investment at fair value through profits or loss**	29	–	220
Foreign exchange differences, net		(7,139)	389

NOTES TO FINANCIAL STATEMENTS

31 December 2013

7. PROFIT 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\$12,329,000 (2012: HK\$9,702,000) disclosed under employee benefit expense and depreciation charges of HK\$30,298,000 (2012: HK\$23,856,000) 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:

	2013	2012
	HK\$'000	HK\$'000
Interest on loans/bond wholly repayable within five years:		
Bank loans	12,690	11,681
Other loans	5,250	1,789
Convertible bond (note 34)	4,472	3,441
	22,412	16,911
Less: interest capitalised	(448)	–
	21,964	16,911

NOTES TO FINANCIAL STATEMENTS

31 December 2013

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013	2012
	HK\$'000	HK\$'000
Fees:		
Executive directors	180	125
Non-executive director	1,692	1,692
Independent non-executive directors	180	180
	2,052	1,997
Other emoluments (executive directors):		
Salaries, allowances and benefits in kind	3,028	2,387
Equity-settled share option expense	1,558	1,352
Pension scheme contributions	45	34
	4,631	3,773
	6,683	5,770

During the year ended 31 December 2012, a director was granted share options, 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 37 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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:

	2013 HK\$'000	2012 HK\$'000
Wang Zhonghua	60	60
Zhong Qiang	60	60
Xiao Wei (changed to executive director during 2012)	-	51
Hu Xiaowen	60	9
	180	180

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and a non-executive director

	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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

2012	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	1,212	-	14	1,262
Zang Zheng	36	224	-	-	260
Zhang Chuanjun	24	396	-	10	430
Zhang Ning	24	555	1,352	10	1,941
Xiao Wei	5	-	-	-	5
	125	2,387	1,352	34	3,898
	1,817	2,387	1,352	34	5,590

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 (2012: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2012: two) highest paid employee who is not a director of the Company, are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries, allowances and benefits in kind	4,704	4,837
Pension scheme contributions	-	14
	4,704	4,851

NOTES TO FINANCIAL STATEMENTS

31 December 2013

10. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2013	2012
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$4,000,000	1	1
	2	2

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 (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2013	2012
	HK\$'000	HK\$'000
Group:		
Current – Mainland China		
Charge for the year	19,851	21,885
Underprovision in prior years	1,763	–
Deferred (note 35)	1,439	3,724
	23,053	25,609

NOTES TO FINANCIAL STATEMENTS

31 December 2013

11. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit 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 is as follows:

	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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

11. INCOME TAX (continued)

	2012					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	(39,200)		43,236		4,036	
Tax at the statutory tax rates	(6,468)	16.5	10,809	25.0	4,341	107.6
Lower tax rate for tax holiday	-	-	(1,921)	(4.4)	(1,921)	(47.6)
Effect of withholding tax at 5% or 10% on the distributable profits of the Group's PRC subsidiaries	-	-	8,019	18.5	8,019	198.7
Profits and losses attributable to joint ventures and an associate	-	-	(1,820)	(4.2)	(1,820)	(45.1)
Income not subject to tax	(96)	0.2	(2,153)	(5.0)	(2,249)	(55.7)
Expenses not deductible for tax	6,564	(16.7)	5,858	13.5	12,422	307.8
Tax losses utilised from previous periods	-	-	(20)	-	(20)	(0.5)
Tax losses not recognised	-	-	6,850	15.8	6,850	169.7
Others	-	-	(13)	-	(13)	(0.4)
Tax charge at the Group's effective rate	-	-	25,609	59.2	25,609	634.5

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\$832,000 (2012: HK\$1,975,000) 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 2013 includes a loss of HK\$13,377,000 (2012: HK\$105,714,000) which has been dealt with in the financial statements of the Company (note 38(b)).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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\$25,417,000 (2012: HK\$25,966,000), and the weighted average number of ordinary shares of 4,329,782,539 (2012: 3,477,415,987) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of the share options and convertible bond outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT**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 31 December 2012 and 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	39	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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 2012								
At 1 January 2012:								
Cost		107,344	1,100	200,445	37,093	134,073	36,730	516,785
Accumulated depreciation and impairment		(24,034)	(355)	(45,785)	(9,683)	(45,983)	-	(125,840)
Net carrying amount		83,310	745	154,660	27,410	88,090	36,730	390,945
At 1 January 2012, net of accumulated depreciation and impairment								
		83,310	745	154,660	27,410	88,090	36,730	390,945
Additions		27,133	790	2,429	2,175	12,238	15,471	60,236
Disposals		(7)	(138)	(181)	(30)	(700)	(2,971)	(4,027)
Acquisition of subsidiaries		-	-	-	414	443	-	857
Disposal of subsidiaries	40(a)	-	-	(2,211)	(4)	(1,168)	-	(3,383)
Transfers		6,573	-	2,041	-	-	(8,614)	-
Impairment	7	(842)	-	-	-	-	(1,473)	(2,315)
Depreciation provided during the year	7	(8,110)	(539)	(19,190)	(1,173)	(20,070)	-	(49,082)
Exchange realignment		2,777	21	4,904	922	2,933	1,567	13,124
At 31 December 2012, net of accumulated depreciation and impairment								
		110,834	879	142,452	29,714	81,766	40,710	406,355
At 31 December 2012:								
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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 31 December 2012 and 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				
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 2013

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 2012				
At 1 January 2012:				
Cost	228	576	627	1,431
Accumulated depreciation	(79)	(515)	(105)	(699)
Net carrying amount	149	61	522	732
At 1 January 2012, net of accumulated depreciation				
	149	61	522	732
Additions	790	712	–	1,502
Disposals	(139)	(1)	–	(140)
Depreciation provided during the year	(142)	(140)	(125)	(407)
At 31 December 2012, net of accumulated depreciation	658	632	397	1,687
At 31 December 2012:				
Cost	790	985	627	2,402
Accumulated depreciation	(132)	(353)	(230)	(715)
Net carrying amount	658	632	397	1,687

The Group's land and buildings with a net carrying amount of HK\$162,603,000 (2012: HK\$110,834,000) are situated in Mainland China and are held under medium term leases.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2013, certain of the Group's buildings and plant and machinery with total net carrying values of approximately HK\$51,587,000 (2012: Nil) and HK\$35,032,000 (2012: HK\$46,477,000) are pledged to secure bills payable and certain bank loans granted to the Group (note 31 and note 33(a)), respectively.

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\$11,962,000 (2012: HK\$2,315,000) was charged to the consolidated statement of profit or loss as at 31 December 2013 (note 7).

15. INVESTMENT PROPERTIES**Group**

	Notes	HK\$'000
31 December 2013		
At 31 December 2012 and 1 January 2013:		
Cost		7,351
Accumulated depreciation		(1,564)
Net carrying amount		5,787
At 1 January 2013, net of accumulated depreciation		
Acquisition of subsidiaries	39	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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. INVESTMENT PROPERTIES (continued)**Group**

	Note	HK\$'000
<hr/>		
31 December 2012		
At 1 January 2012:		
Cost		7,113
Accumulated depreciation		(1,390)
<hr/>		
Net carrying amount		5,723
<hr/>		
At 1 January 2012, net of accumulated depreciation		5,723
Depreciation provided during the year	7	(127)
Exchange realignment		191
<hr/>		
At 31 December 2012, net of accumulated depreciation		5,787
<hr/>		
At 31 December 2012:		
Cost		7,351
Accumulated depreciation		(1,564)
<hr/>		
Net carrying amount		5,787
<hr/>		

The Group's investment properties of HK\$36,059,000 (2012: HK\$5,787,000) 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 (2012: Nil) were pledged to secure bills payable (note 31).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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%
Rooms 103-106, 1-3 Xinhua Road 699 Lane, Chang Ning District, Shanghai	Office	Medium term lease	100%

As at 31 December 2013, the directors, with reference to Asset Appraisal Limited, independent professionally qualified valuers, estimated that the fair value of the Group's investment properties to be HK\$49,606,000.

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 2013 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
-	49,606	-	49,606

NOTES TO FINANCIAL STATEMENTS

31 December 2013

15. INVESTMENT PROPERTIES (continued)**Fair value hierarchy (continued)**

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 at 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

	Notes	Group	
		2013	2012
		HK\$'000	HK\$'000
Carrying amount at 1 January		54,505	30,868
Recognised during the year	7	(4,642)	(1,750)
Additions for the year		4,825	27,678
Disposal of subsidiaries	40(a)	-	(3,320)
Exchange realignment		1,318	1,029
Carrying amount at 31 December		56,006	54,505
Current portion included in prepayments, deposits and other receivables		(3,822)	(2,562)
Non-current portion		52,184	51,943

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

As at 31 December 2013, the Group's prepaid land lease payments with a carrying value of HK\$24,275,000 (2012: Nil) were pledged to secure certain bank loans granted to the Group (note 33(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

17. GOODWILL**Group**

	HK\$'000
Cost at 1 January 2012	128,462
Acquisition of subsidiaries	22,056
Cost and carrying amount net of accumulated impairment at 31 December 2012 and 31 December 2013	150,518
At 31 December 2013:	
Cost	222,258
Accumulated impairment	(71,740)
Net carrying amount	150,518

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to (i) the gas station operation and (ii) the provision of finance lease and loan 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 17-year period. The discount rate applied to cash flow projections is 13.02% (2012: 13.66%).

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 8-year period. The discount rate applied to cash flow projections is 16.05% (2012: 13.25%).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

17. GOODWILL (continued)**Impairment testing of goodwill (continued)**

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.

18. INTANGIBLE ASSETS**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

31 December 2013

18. INTANGIBLE ASSETS (continued)**Group**

	Service contract HK\$'000	Franchise HK\$'000	Total HK\$'000
<hr/>			
31 December 2012			
Cost at 1 January 2012	–	–	–
Additions	–	992	992
Acquisition of subsidiaries	15,909	–	15,909
Amortisation provided during the year (note 7)	(829)	(50)	(879)
<hr/>			
At 31 December 2012	15,080	942	16,022
<hr/>			
At 31 December 2012:			
Cost	15,909	992	16,901
Accumulated amortisation	(829)	(50)	(879)
<hr/>			
Net carrying amount	15,080	942	16,022
<hr/>			

NOTES TO FINANCIAL STATEMENTS

31 December 2013

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK\$'000	HK\$'000
Unlisted shares, at cost	99,410	99,410
Due from subsidiaries	998,822	952,377
Loans to a subsidiary	108,185	108,185
	1,206,417	1,159,972
Impairment on unlisted shares [#]	(71,740)	(71,740)
Impairment on amounts due from subsidiaries [#]	(243,882)	(272,385)
	890,795	815,847

[#] Impairments of HK\$71,740,000 (2012: HK\$71,740,000) and HK\$243,882,000 (2012: HK\$272,385,000) were recognised for the unlisted investments in certain subsidiaries with a carrying amount of HK\$99,410,000 (2012: HK\$99,410,000) (before deducting impairment loss) and the amounts due from subsidiaries with a carrying amount of HK\$998,822,000 (2012: HK\$952,377,000) (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\$998,822,000 (2012: HK\$952,377,000) 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

19. INVESTMENTS IN SUBSIDIARIES (continued)

The balances with subsidiaries included in the Company's current assets and current liabilities of HK\$78,619,000 (2012: HK\$78,619,000) and HK\$62,230,000 (2012: HK\$54,574,000), 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		Principal activities
			Direct %	Indirect %	
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
Changchun Sinogas Company Limited ^A	PRC/ Mainland China	RMB20,000,000	-	97.9	Operation of gas stations
Chengdu Cheng Yuan Natural Gas Company Limited ^{*A}	PRC/ Mainland China	RMB5,000,000	-	38.5	Operation of gas stations
Chengdu Sinogas Company Limited ^A	PRC/ Mainland China	HK\$20,000,000	-	70	Operation of gas stations

NOTES TO FINANCIAL STATEMENTS

31 December 2013

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
China Full Limited (note)	Hong Kong	HK\$2	-	50	Investment holding
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
Jilin Sinogas Company Limited [^]	PRC/ Mainland China	RMB8,000,000	-	51	Operation of gas stations
Shandong Sinogas Company Limited [^]	PRC/ Mainland China	RMB40,000,000	-	100	Operation of gas stations

NOTES TO FINANCIAL STATEMENTS

31 December 2013

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Shenzhen Sinogas Environmental Protection Technology Company 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
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	RMB15,400,000	-	100	Management and operation of LED EMC
Xinzheng Sinogas Company Limited [^]	PRC/ Mainland China	HK\$12,000,000	-	96.9	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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

19. INVESTMENTS IN SUBSIDIARIES (continued)

- * 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.

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; (ii) exposure or rights to variable returns from its involvement with China Full Limited and (iii) the ability to use its power over China Full Limited to affect the amount of the Group's returns. Accordingly, China Full Limited 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' subsidiary that has material non-controlling interests are set out below:

	2013	2012
	%	%
Percentage of equity interest held by non-controlling interests:		
China Full Limited	50	50

NOTES TO FINANCIAL STATEMENTS

31 December 2013

19. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Group' subsidiary that has material non-controlling interests are set out below:
(continued)

	2013	2012
	HK\$'000	HK\$'000
Profit for the year allocated to non-controlling interests: China Full Limited	18,270	10,897
Accumulated balances of non-controlling interests at the reporting dates: China Full Limited	47,257	27,870

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

	2013	2012
	HK\$'000	HK\$'000
Revenue	577,286	482,746
Total expenses	(540,746)	(460,952)
Profit for the year	36,540	21,794
Total comprehensive income for the year	38,773	25,343
Current assets	280,445	215,434
Non-current assets	125,028	116,049
Current liabilities	(262,095)	(225,595)
Non-current liabilities	(7,391)	(9,622)
Net cash flows from operating activities	60,566	18,381
Net cash flows used in investing activities	(34,545)	(13,216)
Net cash flows from/(used in) financing activities	(48,342)	15,486
Net increase/(decrease) in cash and cash equivalents	(22,321)	20,651

NOTES TO FINANCIAL STATEMENTS

31 December 2013

20. INVESTMENTS IN JOINT VENTURES

	Group	
	2013	2012
	HK\$'000	HK\$'000
Share of net assets	64,752	53,462
Goodwill	1,117	1,338
	65,869	54,800

The balances with joint ventures 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	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Henan Blue Sky Sinopetroleum Clean Energy Science & Technology Co. Limited	RMB20,000,000	PRC/ Mainland China	50	50	50	Operation of gas stations
Sinogas Chengdu Company Limited	RMB38,091,400	PRC/ Mainland China	52.5	50	52.5	Operation of gas stations
Hunan Sinogas Shihua Company Limited	RMB2,010,000	PRC/ Mainland China	50	50	50	Not yet commenced business
Sichuan Sinogas New Resources Investment Company Limited	RMB10,000,000	PRC/ Mainland China	50	50	50	Not yet commenced business

NOTES TO FINANCIAL STATEMENTS

31 December 2013

20. INVESTMENTS IN JOINT VENTURES (continued)

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.

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

	2013	2012
	HK\$'000	HK\$'000
Share of the joint ventures' profit/(loss) for the year	(285)	7,281
Share of the joint ventures' total comprehensive income for the year	992	8,554
Aggregate carrying amount of the Group's investments in joint ventures	65,869	54,800

21. INVESTMENT IN AN ASSOCIATE

	Group	
	2013	2012
	HK\$'000	HK\$'000
Share of net assets	-	98,954
Market value of listed shares	-	82,270

NOTES TO FINANCIAL STATEMENTS

31 December 2013

21. INVESTMENT IN AN ASSOCIATE (continued)

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

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group 2012	Principal activities
Peace Map Holding Limited ("Peace Map") (formerly known as Mongolia Investment Group Limited)	433,000,000 ordinary shares of HK\$0.25 each	Cayman Islands/ Mainland China, Mongolia, Hong Kong and Macau	23.5*	Provision of maintenance and construction works, water supply and renovation services, mining and exploration of mineral resources

* Interest in this company has been reclassified to an available-for-sale investment in the current year.

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

Since the associate of the Group was disposed of during the year, the directors considered it was not a material associate of the Group. The following table illustrates the aggregate financial information of the Group's associates that is not individually material:

	2013 HK\$'000	2012 HK\$'000
Share of the associates' loss for the year	(12,411)	(95)
Share of the associates' other comprehensive income	801	-
Share of the associates' total comprehensive income	(11,610)	(95)
Aggregate carrying amount of the Group's investments in the associates	-	98,954

NOTES TO FINANCIAL STATEMENTS

31 December 2013

22. INVENTORIES

	Group	
	2013	2012
	HK\$'000	HK\$'000
Conversion parts and gas station equipment	805	2,899
CNG and LPG	1,797	1,611
Sub-materials	428	196
	3,030	4,706

23. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2013	2012
	HK\$'000	HK\$'000
Listed equity investment, at fair value:		
Hong Kong	160,683	–

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

The Group acquired 23.5% of the issued share capital of Peace Map in December 2012 and accounted for as an investment in an associate in the financial statements for the year ended 31 December 2012. During the year, the Group's shareholding on Peace Map is decreased to 9.6% and the directors considered that the Company had no significant influence in operating and financial policies of the investee. As such, the investment in an associate was deemed disposed of and reclassified as an available-for-sale investment.

24. ASSETS HELD FOR SALE

The Group has entered into an agreement with an independent third party in respect of disposal of certain properties with carrying amount of HK\$23,600,000. As at 31 December 2013, such transaction was still in progress and these properties were classified as assets held for sale.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

25. CONCESSION FINANCE RECEIVABLES

The Group has entered into a number of service concession arrangements in respect of its LED lights services with a government authority. 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 authority for a period of 16 years.

At 31 December 2013, the Group had a service concession arrangement for constructing and operation and maintaining streetlights for the Beijing Fangshan government. 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

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 a service concession arrangement is accounted for as a financial asset (receivable under a service concession arrangement) as appropriate.

The following is the summarised information of the financial asset component (receivable under a service concession arrangement) with respect to the Group’s service concession arrangements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

25. CONCESSION FINANCE RECEIVABLES (continued)

	Group	
	2013	2012
	HK\$'000	HK\$'000
Receivables under service concession arrangements	45,214	47,231
Current portion included in prepayments, deposits and other receivables	(2,015)	(1,762)
Non-current portion	43,199	45,469

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	
	2013	2012
	HK\$'000	HK\$'000
Trade and bills receivables	153,914	85,074
Impairment	(1,861)	(14,147)
Less: Non-current portion of trade receivables	152,053	70,927
	(22,613)	-
Current portion of trade and bills receivables	129,440	70,927

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Billed:		
0 to 90 days	127,364	83,634
91 to 120 days	-	412
Over 120 days	1,911	1,028
	129,275	85,074
Unbilled	24,639	-
	153,914	85,074

NOTES TO FINANCIAL STATEMENTS

31 December 2013

26. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
At 1 January	14,147	1,632
Impairment losses recognised (note 7)	-	12,330
Impairment losses reversed (note 7)	(12,628)	-
Exchange realignment	342	185
	1,861	14,147

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade and bills receivables of HK\$1,861,000 (2012: HK\$14,147,000) with a carrying amount before provision of HK\$1,861,000 (2012: HK\$15,759,000) as at 31 December 2013.

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Unbilled	24,639	-
Neither past due nor impaired	127,364	67,875
Less than 30 days past due	-	412
31 to 180 days past due	50	1,028
	152,053	69,315

NOTES TO FINANCIAL STATEMENTS

31 December 2013

26. TRADE AND BILLS RECEIVABLES (continued)

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.

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	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	49,408	27,121	515	506
Deposits and other receivables	303,746	301,202	6,736	6,768
Impairment	(143,725)	(140,125)	(6,202)	(6,202)
	209,429	188,198	1,049	1,072
Non-current portion included in prepayments, deposits and other receivables	(165,992)	(131,540)	-	-
	43,437	56,658	1,049	1,072

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, deposits and other receivables of the Group are the deposits paid for acquisition of land use rights of HK\$8,941,000 (2012: HK\$3,645,000), a subsidiary of HK\$46,990,000 (2012: HK\$78,352,000), a joint venture of HK\$4,890,000 (2012: Nil) and an associate of HK\$1,791,000 (2012: Nil), respectively, during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	140,125	133,805	6,202	6,202
Impairment losses recognised (note 7)	208	1,860	–	–
Exchange realignment	3,392	4,460	–	–
	143,725	140,125	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\$143,725,000 (2012: HK\$140,125,000) with an aggregate carrying amount of HK\$143,725,000 (2012: HK\$140,125,000).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

28. 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	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables comprise:				
Within one year	17,155	19,094	14,335	18,073
In the second to fifth years, inclusive	13,190	12,077	12,478	9,691
	30,345	31,171	26,813	27,764
Less: unearned finance income	(3,532)	(3,407)		
Present value of minimum lease payments	26,813	27,764		
Analysed for reporting purposes as:				
Current assets	14,335	18,073		
Non-current assets	12,478	9,691		
	26,813	27,764		

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

28. FINANCE LEASE RECEIVABLES (continued)

At 31 December 2013, the Group's finance lease receivables with a carrying amount of HK\$14,401,000 (2012: HK\$20,741,000) were pledged as security for the Group's certain bank loans, as further detailed in note 33(a) to the consolidated financial statements.

29. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK\$'000	HK\$'000
Gold bars held for trading, at market value	-	3,317

During the year, the gold bars were disposed of and a loss on disposal of HK\$161,000 (note 7) was recognised in the consolidated statement of profit or loss.

30. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	382,273	353,838	73,603	7,835
Time deposits	985,470	-	-	-
	1,367,743	353,838	73,603	7,835
Less:				
Pledged time deposits for bills payable (note 31)	(27,076)	-	-	-
Pledged time deposits for short term bank loans (note 33(a))	(958,394)	-	-	-
Cash and cash equivalents	382,273	353,838	73,603	7,835

NOTES TO FINANCIAL STATEMENTS

31 December 2013

30. CASH AND BANK BALANCES AND PLEDGED DEPOSITS (continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK\$1,287,105,000 (2012: HK\$345,675,000). 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 are deposited with creditworthy banks with no recent history of default.

31. TRADE AND BILLS PAYABLES

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
0 to 90 days	189,408	41,549
91 to 120 days	–	62
Over 120 days	2,088	3,334
	191,496	44,945

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

The Group's bills payable has an average maturity period of 90 days and is interest-free. Bills payable was secured by pledged time deposits, property, plant and equipment and investment properties of HK\$27,076,000 (note 30), HK\$51,587,000 (note 14) and HK\$30,259,000 (note 15), respectively. Bills payable was denominated in RMB.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	83,623	44,325	–	–
Accruals	7,207	7,855	2,830	2,756
	90,830	52,180	2,830	2,756
Non-current portion included in other payables and accruals	(10,938)	(4,828)	–	–
	79,892	47,352	2,830	2,756

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

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2013			2012		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Other loans – unsecured	–	On demand and 2014	8,246	–	On demand	2,150
Bank loans – unsecured	7.11 to 7.86	2014	74,930	5.5 to 8.86	2013	105,400
Bank loans – secured	6.77 to 10	2014	994,950	6.56 to 10	2013	35,413
			1,078,126			142,963
Non-current						
Bank loans – secured	6.77 to 10	2015-2018	51,096	6.77 to 10	2014-2017	25,605
			1,129,222			168,568

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

Company	2013			2012		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Other loans – unsecured	-	On demand	2,150	-	On demand	2,150

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	1,069,880	140,813	-	-
In the second year	31,411	14,755	-	-
In the third to fifth years, inclusive	19,685	10,850	-	-
	1,120,976	166,418	-	-
Other borrowings repayable:				
Within one year or on demand	8,246	2,150	2,150	2,150

Notes:

- (a) Certain of the bank loans are secured by (i) pledges of the Group's buildings and plant and machinery with an aggregate carrying value of HK\$35,032,000 (2012: HK\$46,477,000) (note 14); (ii) pledges of the Group's finance lease receivables with an aggregate carrying amount of HK\$14,401,000 (2012: HK\$20,741,000) (note 28); (iii) pledges of the Group's prepaid land lease payments of HK\$24,275,000 (2012: Nil) (note 16); and (iv) pledges of the Group's time deposits of HK\$958,394,000 (2012: Nil) (note 30).
- (b) Except for bank loans of HK\$958,394,000 (2012: Nil) which are denominated in United State dollars, and bank loans of HK\$162,582,000 (2012: HK\$166,418,000) and other loans of HK\$6,096,000 (2012: Nil) which are denominated in RMB, all other borrowings are in Hong Kong dollars.
- (c) The Group's other loans are unsecured, bear interest at 0% to 3% per annum and are repayable within one year.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

34. CONVERTIBLE BOND

On 6 March 2012, the Group issued a convertible bond with a principal amount of HK\$51,776,000. The bond is convertible at the option of the bondholder into ordinary shares at the initial conversion price of HK\$0.235 per share anytime after the issuance of the convertible bond. Any convertible bond not converted will be redeemed at par in three years after the date of issuance or will be further extended as agreed between the bondholder and the Group. The convertible bond bears interest at 2% per annum and payable half-yearly in arrears.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bond issued has been split into the liability and equity component as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Nominal value		
At 1 January	51,776	–
Issuance of convertible bond	–	51,776
At 31 December	51,776	51,776
Liability component		
At 1 January	44,182	–
Issuance of convertible bond	–	41,258
Interest expense (note 8)	4,472	3,441
Interest paid	(1,036)	(517)
At 31 December	47,618	44,182
Equity component		
At 1 January	21,686	–
Issuance of convertible bond	–	21,686
At 31 December	21,686	21,686

NOTES TO FINANCIAL STATEMENTS

31 December 2013

34. CONVERTIBLE BOND (continued)

	Company 2013	2012
	HK\$'000	HK\$'000
Nominal value		
At 1 January	51,776	–
Issuance of convertible bond	–	51,776
At 31 December	51,776	51,776
Liability component		
At 1 January	44,182	–
Issuance of convertible bond	–	41,258
Interest expense	4,472	3,441
Interest paid	(1,036)	(517)
At 31 December	47,618	44,182
Equity component		
At 1 January	10,518	–
Issuance of convertible bond	–	10,518
At 31 December	10,518	10,518

NOTES TO FINANCIAL STATEMENTS

31 December 2013

35. DEFERRED TAX

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

Deferred tax liabilities**Group**

	Withholding taxes HK\$'000
At 1 January 2012	–
Deferred tax charged to the statement of profit or loss during the year (note 11)	3,724
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	3,724
Deferred tax charged to the statement of profit or loss during the year (note 11)	1,439
Gross deferred tax liabilities at 31 December 2013	5,163

The Group has estimated tax losses arising in Hong Kong of approximately HK\$146,235,000 (2012: HK\$146,235,000) and in Mainland China of approximately HK\$87,865,000 (2012: HK\$55,993,000), 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

35. 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 2013, 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 and the new basis of provision could more accurately reflect the actual deferred tax liabilities of the Group arising from distribution of dividends by its PRC subsidiaries.

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

36. SHARE CAPITAL**Shares**

	2013	2012
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 (2012: 10,000,000,000) ordinary shares of HK\$0.20 each	2,000,000	2,000,000
Issued and fully paid:		
4,383,782,539 (2012: 3,653,782,539) ordinary shares of HK\$0.20 each	876,757	730,757

During the year, 730,000,000 ordinary shares of HK\$0.2 each were issued to an existing shareholder for a total cash consideration, before expense, of HK\$146,000,000.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

36. SHARE CAPITAL (continued)**Shares (continued)**

A summary of the transactions during the year in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Total HK\$'000
At 1 January 2012	2,435,855,026	487,171	829,393	36,514	1,353,078
Issue of shares	1,217,927,513	243,586	-	-	243,586
Share issue expenses	-	-	(50)	-	(50)
Equity-settled share option arrangements	-	-	-	3,558	3,558
Transfer of reserve upon forfeiture of options	-	-	265	(265)	-
At 31 December 2012 and 1 January 2013	3,653,782,539	730,757	829,608	39,807	1,600,172
Issue of shares	730,000,000	146,000	-	-	146,000
Share issue expenses	-	-	(4,277)	-	(4,277)
Equity-settled share option arrangements	-	-	-	4,101	4,101
Transfer of reserve upon forfeiture of options	-	-	265	(265)	-
At 31 December 2013	4,383,782,539	876,757	825,596	43,643	1,745,996

Share options

Details of the Company's share option scheme, the share options issued under the scheme and the share option expense during the year are included in note 37 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

37. 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 are the employees of the Group including directors of the Group or any person who, as determined by the directors of the Company, 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, subject to refreshment with shareholders' approval. Pursuant to the shareholders' meeting on 14 March 2007, the terms of the Scheme were amended and the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to 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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

37. SHARE OPTION SCHEME (continued)

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 certain vesting periods and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

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; and (ii) the average closing price 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:

	2013		2012	
	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	581,030	0.34	341,200
Adjusted during the year	-	-	0.23	164,600
Granted during the year	-	-	0.236	78,980
Forfeited during the year	0.227	(3,750)	0.227	(3,750)
At 31 December	0.23	577,280	0.23	581,030

NOTES TO FINANCIAL STATEMENTS

31 December 2013

37. 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:

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
<hr/> 577,280 <hr/>		

2012

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
296,250	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
<hr/> 581,030 <hr/>		

* 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

37. 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\$4,101,000 (2012: HK\$3,558,000) during the year ended 31 December 2013.

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.

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 577,280,000 share options outstanding under the Scheme, which represented approximately 13.2% of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

38. 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 47 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

38. RESERVES (continued)

(b) Company

	Notes	Equity						Total HK\$'000
		Share premium account HK\$'000	Share option of reserve HK\$'000	component of convertible bond HK\$'000	Special capital reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2012		829,393	36,514	-	828,646	3,865	(1,687,026)	11,392
Total comprehensive loss								
for the year		-	-	-	-	-	(105,714)	(105,714)
Share issue expenses	36	(50)	-	-	-	-	-	(50)
Transfer of share option reserve	36	265	(265)	-	-	-	-	-
Equity-settled share option								
arrangements	37	-	3,558	-	-	-	-	3,558
Issue of convertible bond	34	-	-	10,518	-	-	-	10,518
At 31 December 2012 and 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	36	(4,277)	-	-	-	-	-	(4,277)
Transfer of share option reserve	36	265	(265)	-	-	-	-	-
Equity-settled share option								
arrangements	37	-	4,101	-	-	-	-	4,101
At 31 December 2013		825,596*	43,643*	10,518	828,646*	3,865*	(1,806,117)*	(93,849)

* These reserve accounts comprise the reserves of HK\$104,367,000 (2012: HK\$90,814,000) included in the statement of financial position of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

39. BUSINESS COMBINATIONS

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 a 100% interest in Shanghai Shangju Enterprise Company Limited (上海商聚實業有限公司) ("Shanghai Shangju"). Shanghai Shangju is engaged in the provision of rental services 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.

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 prepayments and 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 have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

39. 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 would have been HK\$25,417,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

	Notes	2012 HK\$'000
Net assets disposed of:		
Property, plant and equipment	14	3,383
Prepaid land lease payments	16	3,320
Prepayments, deposits and other receivables		2,729
Cash and bank balances		120
Other payables and accruals		(184)
Tax payable		(142)
Non-controlling interests		(1,159)
		8,067
Gain on disposal of subsidiaries	6	3,837
		11,904
Satisfied by cash		11,904

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

	2012 HK\$'000
Cash consideration	11,904
Cash and bank balances disposed of	(120)
Net inflow of cash and cash equivalents included in cash flows from investing activities	11,784

NOTES TO FINANCIAL STATEMENTS

31 December 2013

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**(b) Major non-cash transactions**

- (i) During the year, interest expenses of HK\$448,000 (2012: Nil) have been capitalised into items of property, plant and equipment (note 8).
- (ii) During the year, imputed finance income on trade receivables of HK\$3,654,000 (2012: Nil) has been recognised into concession finance receivables and trade receivables.
- (iii) During the year, the Group's shareholding on Peace Map is decreased to 9.6% and so the investment in an associate of HK\$98,954,000 was reclassified to an available-for-sale investment.

41. CONTINGENT LIABILITIES

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

	Group 2013	2012	Company 2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Corporate guarantees given to banks in connection with facilities granted to a subsidiary	-	-	63,500	24,800

As at 31 December 2013, the corporate guarantees granted to a subsidiary of HK\$63,500,000 (2012: HK\$24,800,000) by the Company were utilised to the extent of approximately HK\$38,100,000 (2012: HK\$24,800,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2013

42. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

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

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group 2013	2012
	HK\$'000	HK\$'000
Within one year	2,299	585
In the second to fifth years, inclusive	6,743	6,455
After five years	9,747	11,209
	18,789	18,249

(b) As lessee

The Group leases certain of its office premises, land, gas stations and staff quarters under non-cancellable operating lease arrangements with terms ranging from one to twenty years.

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

	Group 2013	2012
	HK\$'000	HK\$'000
Within one year	19,809	17,990
In the second to fifth years, inclusive	51,690	38,060
After five years	72,107	48,234
	143,606	104,284

At 31 December 2013, the Company did not have any lease commitments.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Property, plant and equipment	75,831	49,223
Authorised, but not contracted for:		
Property, plant and equipment	139,226	–

44. 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	
		2013	2012
	Notes	HK\$'000	HK\$'000
Sales of gas to non-controlling shareholders	(i)	120,269	89,517
Sales of gas to a joint venture	(i)	10,378	5,336
Purchases of gas from a joint venture	(i)	9,651	–
Provision of transportation service to a joint venture	(ii)	4,813	4,705
Rental expense paid to a joint venture	(iii)	371	–
Interest expenses to a shareholder	(iv)	–	1,079
Interest expenses to a related company	(v)	5,250	710
Interest income from a related company	(vi)	709	–
Underwriting commission paid to a shareholder	(vii)	–	2,972

NOTES TO FINANCIAL STATEMENTS

31 December 2013

44. RELATED PARTY TRANSACTIONS (continued)

- (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 (continued):

Notes:

- (i) The sales/purchase 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) The rental expense paid to a joint venture was made at price mutually agreed between the parties, which approximated market rate.
 - (iv) During the year ended 31 December 2012, the interest expenses paid to a shareholder were charged at interest rates ranging from 3.5% to 3.65% per annum.
 - (v) 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.
 - (vi) The interest income received from a related company, which is an associate of a shareholder of the Company, was charged at an interest rate of 9% per annum.
 - (vii) During the year ended 31 December 2012, the underwriting commission paid to a shareholder was charged at a rate of 1.7% of the aggregate subscription price of the total underwritten shares.
- (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 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% (2012: 5%) per annum and are repayable in the year 2015.
 - (iv) The loan receivable from a related company is unsecured, bears interest at 9% per annum and is repayable in the year 2014.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

44. RELATED PARTY TRANSACTIONS (continued)

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

	2013	2012
	HK\$'000	HK\$'000
Short term employee benefits	5,080	4,384
Post-employment benefits	45	34
Equity-settled share option expense	1,558	1,352
Total compensation paid to key management personnel	6,683	5,770

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

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

45. 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:

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)	–	160,021	160,021
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	1,824,593	1,985,276

NOTES TO FINANCIAL STATEMENTS

31 December 2013

45. 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
2012	Group		
Financial assets	Held for trading HK\$'000	Loans and receivables HK\$'000	Total HK\$'000
Trade and bills receivables	–	70,927	70,927
Investment at fair value through profit or loss	3,317	–	3,317
Financial assets included in prepayments, deposits and other receivables (note 27)	–	161,077	161,077
Finance lease receivables	–	27,764	27,764
Concession finance receivables	–	45,469	45,469
Due from non-controlling shareholders	–	27,784	27,784
Due from joint ventures	–	7,024	7,024
Cash and bank balances	–	353,838	353,838
	3,317	693,883	697,200

NOTES TO FINANCIAL STATEMENTS

31 December 2013

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2012 Group**Financial liabilities**

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	44,945
Financial liabilities included in other payables and accruals	52,180
Due to non-controlling shareholders	4,745
Due to a joint venture	556
Loans from a related company	150,937
Convertible bond	44,182
Interest-bearing bank and other borrowings	168,568
	466,113

Financial assets	Company	
	2013	2012
	Loans and receivables HK\$'000	Loans and receivables HK\$'000
Financial assets included in prepayments, deposits and other receivables (note 27)	534	566
Due from subsidiaries	78,619	78,619
Cash and bank balances	73,603	7,835
	152,756	87,020

NOTES TO FINANCIAL STATEMENTS

31 December 2013

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities	Company	
	2013	2012
	Financial liabilities at amortised cost HK\$'000	Financial liabilities at amortised cost HK\$'000
Financial liabilities included in other payables and accruals	2,830	2,756
Due to a subsidiary	62,230	54,574
Loans from a related company	147,179	150,937
Convertible bond	47,618	44,182
Interest-bearing bank and other borrowings	2,150	2,150
	262,007	254,599

NOTES TO FINANCIAL STATEMENTS

31 December 2013

46. 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	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Available-for-sale investment	160,683	–	160,683	–
Investment at fair value through profit or loss	–	3,317	–	3,317
Concession finance receivables – non-current portion	45,214	45,469	45,214	45,469
Trade receivables – non-current portion	22,613	–	22,613	–
Finance lease receivables – non-current portion	12,478	9,691	12,478	9,691
	240,988	58,477	240,988	58,477
Financial liabilities				
Loans from a related company	147,179	150,937	158,212	169,765
Interest-bearing bank and other borrowings	1,129,222	168,568	1,134,158	174,591
Convertible bond	47,618	44,182	53,329	54,365
Other payables – non-current portion	10,938	4,828	10,938	4,828
	1,334,957	368,515	1,356,637	403,549

NOTES TO FINANCIAL STATEMENTS

31 December 2013

**46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(continued)****Company**

	Carrying amounts		Fair values	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities				
Loans from a related company	147,179	150,937	158,212	169,765
Interest-bearing bank and other borrowings	2,150	2,150	2,150	2,150
Convertible bond	47,618	44,182	53,329	54,365
	196,947	197,269	213,691	226,280

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, financial liabilities included in other payables and accruals, amounts due from/to non-controlling shareholders, amounts due from/to joint ventures 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 corporate finance department reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

**46. 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 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 2013 was assessed to be insignificant. The fair value of the liability portion of the convertible bond 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

**46. 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:

Assets measured at fair value:

Group**As at 31 December 2013**

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

As at 31 December 2012

	Note	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Investment at fair value through profit or loss	29	3,317	-	-	3,317

NOTES TO FINANCIAL STATEMENTS

31 December 2013

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy (continued)***Assets measured at fair value: (continued)*

The Group did not have any financial liabilities measured at fair value as at 31 December 2013 and 2012.

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2013 and 2012.

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 (2012: Nil).

Assets for which fair values are disclosed:

Group**As at 31 December 2013**

	Notes	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) 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	28	–	12,478	–	12,478
		–	78,290	–	78,290

NOTES TO FINANCIAL STATEMENTS

31 December 2013

**46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(continued)****Fair value hierarchy (continued)***Assets for which fair values are disclosed: (continued)***Group***As at 31 December 2012*

	Notes	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Concession finance receivables – non-current portion	25	–	45,469	–	45,469
Finance lease receivables – non-current portion	28	–	9,691	–	9,691
		–	55,160	–	55,160

NOTES TO FINANCIAL STATEMENTS

31 December 2013

46. 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 2013

	Notes	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Loans from a related company	44(b)(iii)	-	158,212	-	158,212
Interest-bearing bank and other borrowings	33	-	1,134,158	-	1,134,158
Convertible bond	34	-	-	53,329	53,329
Other payables – non-current portion	32	-	10,938	-	10,938
		-	1,303,308	53,329	1,356,637

As at 31 December 2012

	Notes	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Loans from a related company	44(b)(iii)	-	169,765	-	169,765
Interest-bearing bank and other borrowings	33	-	174,591	-	174,591
Convertible bond	34	-	-	54,365	54,365
Other payables – non-current portion	32	-	4,828	-	4,828
		-	349,184	54,365	403,549

NOTES TO FINANCIAL STATEMENTS

31 December 2013

**46. 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**

	Notes	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Loans from a related company	44(b)(iii)	-	158,212	-	158,212
Interest-bearing bank and other borrowings	33	-	2,150	-	2,150
Convertible bond	34	-	-	53,329	53,329
		-	160,362	53,329	213,691

As at 31 December 2012

	Notes	Fair value measurement using			Total HK\$'000
		Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Loans from a related company	44(b)(iii)	-	169,765	-	169,765
Interest-bearing bank and other borrowings	33	-	2,150	-	2,150
Convertible bond	34	-	-	54,365	54,365
		-	171,915	54,365	226,280

NOTES TO FINANCIAL STATEMENTS

31 December 2013

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, 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 2013, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

47. 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 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 bank borrowings 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

Group

	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
Trade and bills payables	-	189,408	2,088	-	191,496
Convertible bond	-	518	518	52,293	53,329
Other payables and accruals	-	-	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
	2012				
	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
Trade and bills payables	-	41,549	3,396	-	44,945
Convertible bond	-	518	518	53,329	54,365
Other payables and accruals	-	-	42,278	4,828	47,106
Due to non-controlling shareholders	4,745	-	-	-	4,745
Due to a joint venture	556	-	-	-	556
Loans from a related company	-	-	7,547	162,257	169,804
Interest-bearing bank and other borrowings	2,150	-	140,813	25,605	168,568
	7,451	42,067	194,552	246,019	490,089

NOTES TO FINANCIAL STATEMENTS

31 December 2013

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk (continued)**

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

Company

	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
Other payables	-	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
	2012				
	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	53,329	54,365
Due to a subsidiary	54,574	-	-	-	54,574
Other payables	-	2,756	-	-	2,756
Loans from a related company	-	-	7,547	162,257	169,804
Interest-bearing bank and other borrowings	2,150	-	-	-	2,150
	56,724	3,274	8,065	215,586	283,649

NOTES TO FINANCIAL STATEMENTS

31 December 2013

47. 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 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 20%. Net debt includes interest-bearing bank and other borrowings, loans from a related company, trade, bills and other payables, accruals, amounts due to non-controlling shareholders, an amount due to a joint venture and the liability component of convertible bond less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

47. 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	
	2013	2012
	HK\$'000	HK\$'000
Trade and bills payables	191,496	44,945
Other payables and accruals (note 32)	90,830	52,180
Due to non-controlling shareholders	15,399	4,745
Due to a joint venture	449	556
Loans from a related company	147,179	150,937
Interest-bearing bank and other borrowings	1,129,222	168,568
Convertible bond – the liability component	47,618	44,182
Less: Cash and bank balances	(382,273)	(353,838)
Less: Pledged deposits	(985,470)	–
Net debt	254,450	112,275
Equity attributable to owners of the parent	1,085,962	947,474
Adjusted capital and net debt	1,340,412	1,059,749
Gearing ratio	19.0%	10.6%

NOTES TO FINANCIAL STATEMENTS

31 December 2013

48. EVENTS AFTER THE REPORTING PERIOD

- (a) On 4 December 2013, Beijing Sinogas Company Limited ("Beijing Sinogas"), an indirect non-wholly-owned subsidiary of the Company, and Shenzhen Sinogas Environmental Protection Technology Company Limited ("Shenzhen Sinogas"), an indirect wholly-owned subsidiary of the Company, entered into a transfer agreement, pursuant to which Beijing Sinogas has conditionally agreed to transfer its 55% equity interest in Jilin Sinogas Storage Company Limited ("Jilin Storage") to Shenzhen Sinogas for a cash consideration of RMB27,500,000. The transaction was completed on 3 January 2014. Upon completion, the Group's effective equity interest in Jilin Storage has increased from approximately 38.17% to 55%.
- (b) On 24 December 2013, Shanghai Shangju, an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a conditional acquisition agreement, pursuant to which Shanghai Shangju conditionally agreed to purchase and the independent third party conditionally agreed to sell the entire issued share capital of Shanghai Yunsheng International Trading Company Limited (上海勻盛國際貿易有限公司) ("Shanghai Yunsheng") for a consideration of HK\$142,200,000. Upon completion of the acquisition, Shanghai Yunsheng will become an indirect wholly-owned subsidiary of the Company. As at the reporting date, the acquisition has not yet completed and an aggregate refundable deposit of HK\$92,272,000 was paid and held in escrow.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2014.

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 and restated/reclassified as appropriate, is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	1,282,780	1,177,611	1,024,588	808,709	614,325
PROFIT/(LOSS) BEFORE TAX	6,632	4,036	36,317	(25,121)	31,034
Income tax expense	(23,053)	(25,609)	(17,615)	(10,631)	(13,945)
PROFIT/(LOSS) FOR THE YEAR	(16,421)	(21,573)	18,702	(35,752)	17,089
Attributable to:					
Owners of the parent	(25,417)	(25,966)	8,482	(27,937)	(5,023)
Non-controlling interests	8,996	4,393	10,220	(7,815)	22,112
	(16,421)	(21,573)	18,702	(35,752)	17,089

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013	2012	2011	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	2,825,389	1,513,406	1,017,854	925,744	858,566
Total liabilities	(1,643,599)	(488,155)	(245,655)	(266,120)	(320,632)
Non-controlling interests	(95,828)	(77,777)	(93,102)	(56,867)	(71,627)
	1,085,962	947,474	679,097	602,757	466,307