Beijing Development (Hong Kong) Limited

(Stock Code 154)

2014 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive directors:
Mr. E Meng *(Chairman)*
Mr. Zhang Honghai
Mr. Ke Jian *(Vice Chairman and Chief Executive Officer)*
Ms. Sha Ning *(Vice President)*
Ms. Qin Xuemin *(Vice President)*
Mr. Ng Kong Fat, Brian

Independent non-executive directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng
Mr. Cheung Ming

Audit Committee

Dr. Huan Guocang *(Chairman)*
Dr. Jin Lizuo
Dr. Wang Jianping

Remuneration Committee

Dr. Jin Lizuo *(Chairman)*
Mr. E Meng
Dr. Huan Guocang
Dr. Wang Jianping

Nomination Committee

Mr. E Meng *(Chairman)*
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

Company Secretary

Mr. Wong Kwok Wai, Robin

Authorised Representatives

Mr. Ng Kong Fat, Brian
Mr. Wong Kwok Wai, Robin

Registered Office

66th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Website

http://www.bdhk.com.hk

Stock Code

154

Share Registrars

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

Auditors

Ernst & Young

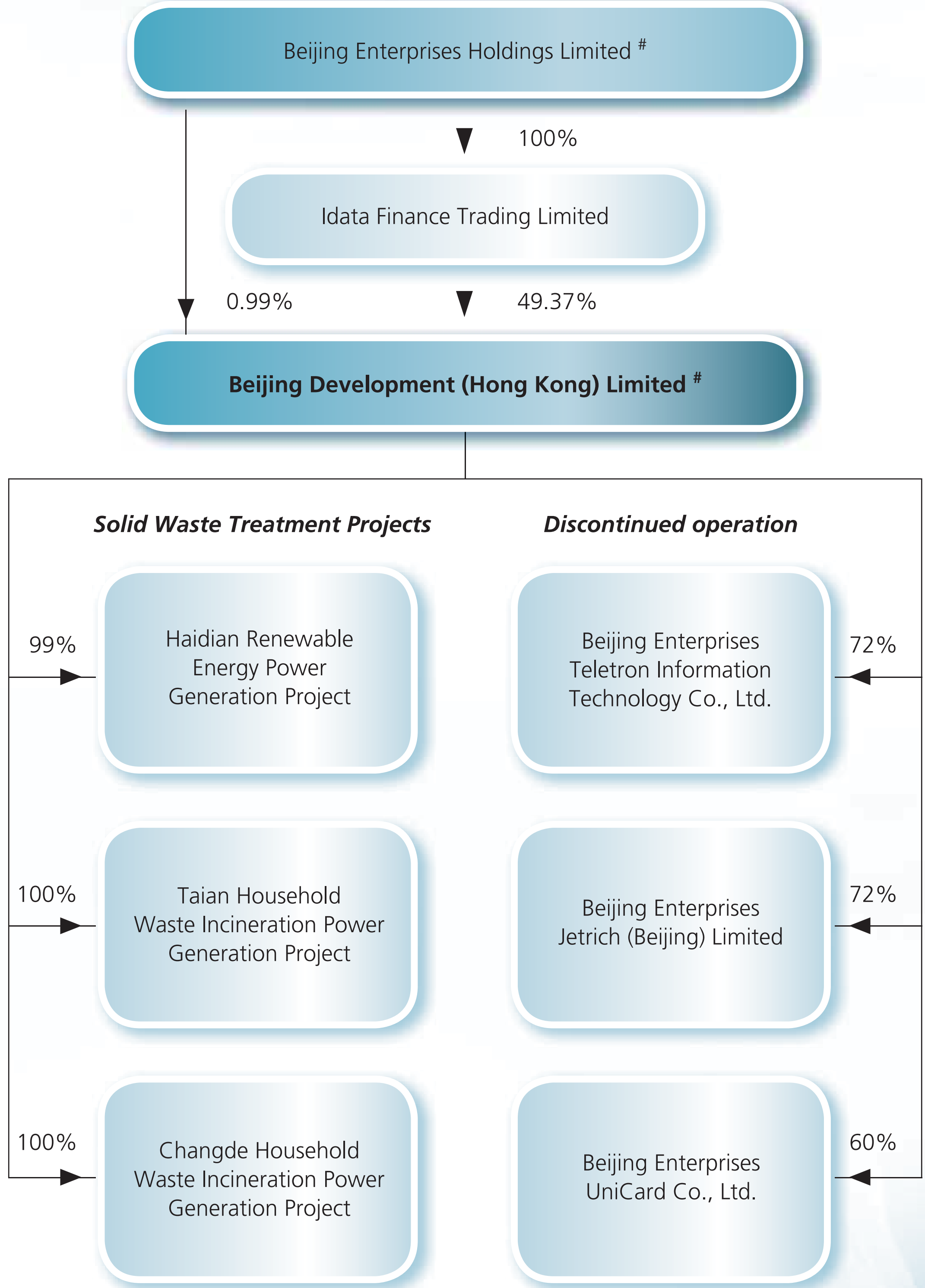
Principal Bankers

In Hong Kong:
Bank of China (Hong Kong)

In Mainland China:
Bank of Beijing
Bank of China
China Construction Bank
China Minsheng Bank
Huaxia Bank
Industrial Bank

CORPORATE STRUCTURE

31 March 2015



Listed on the Main Board of The Stock Exchange of Hong Kong Limited

CHAIRMAN'S STATEMENT

With the improvement of people's living standards and the acceleration of urbanization in China, solid waste has become one of the main factors that affects the people's daily living environment and one of the main static environmental pollutants. The Company placed its focus on solid waste treatment business through strategic transformation. Its business scope covers a wide range of services, such as urban solid waste treatment (including power generation through incineration, sanitary landfill and integrated utilization), industrial hazardous waste treatment, medical waste treatment, soil remediation (older landfill management), food waste utilization, construction waste recycling and regional solid waste treatment. Through engaging in the investment, establishment and operation of the solid waste treatment industry, the Company fulfilled its missions of protecting the environment, turning waste into assets, expanding its business and serving the society.

During the past year, the Group achieved satisfactory progress in the investment of the solid waste treatment business and the withdrawal from its original information technology business, laying a solid foundation for its business transformation. At the end of April 2014, the Group completed the acquisition of two household waste incineration power generation projects which were in operation in Taian, Shandong Province and Changde, Hunan Province through share exchange at premium. Their total waste treatment capacity was 2,000 tonnes/day. The acquisition directly changed the operating results of the Group for 2014 from loss to profit and enhanced its net asset value and introduced high-quality strategic investors to the Company at the same time. By the end of December 2014, the Group successfully entered into a licensed operation agreement in relation to the signatory waste incineration power generation project in Haidian District, Beijing with a waste treatment capacity of 2,500 tonnes/day. The project is expected to commence operation by the end of 2015.

The solid waste treatment market is huge and promising and can generate social benefits together with stable cash flow. The Group will tackle the challenges of the intense industry competition, large capital investment and long return cycle by leveraging with its financial strength and capital operation advantages. It will expand its waste treatment scale and secure larger market share through investment, merger and acquisition. As such, the Group can maximize its revenue with better economies of scale, higher efficiency and lower project investment and operating costs. In addition, the Group will attract talents for building a professional team to enhance project technology and create landmark projects of the industry. It will strive to turn into a leading brand of the solid waste treatment industry with a strong presence.

On behalf of the Board, I would like to express my gratitude to all employees and partners from different sectors for their support to the Group over the past difficult years and look forward to the future success of the Group's business transformation from which all shareholders will benefit.

E Meng
Chairman

Hong Kong
31 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, the Group has commenced its strategic transformation, plans to focus its resources on its solid waste treatment business and has decided to cease its information technology business.

At the end of April 2014, the Group completed the acquisition of the entire equity interests in two solid waste incineration plants in operation in Mainland China, namely 泰安生活垃圾焚燒發電項目 Taian Household Waste Incineration Power Generation Project (the "Taian Project") in Shandong Province and 常德市生活垃圾焚燒發電項目Changde Household Waste Incineration Power Generation Project (the "Changde Project") in Hunan Province.

The Taian Project is equipped with two 500 tonnes/day fluidised bed boilers and two 6MW and 12MW condensing steam turbines, respectively, and is operated on a Build-Own-Operate ("BOO") basis for a licensed period of 30 years commencing from 2008. For the whole year of 2014, the Taian Project handled solid waste of 284,869 tonnes (2013: 307,266 tonnes), generated on-grid electricity of 60.00 million kWh (2013: 60.85 million kWh), recorded a total revenue of HK$72.03 million (2013: HK$72.17 million) and contributed an EBITDA (excluding foreign exchange gain) of HK$26.38 million (2013: HK$21.69 million) and a net profit of HK$5.17 million (2013: HK$9.60 million), respectively.

The Changde Project is equipped with two 500 tonnes/day fluidised bed boilers and two 12MW condensing steam turbines, and is operated on a Build-Operate-Transfer ("BOT") basis for a licensed period of 27 years commencing from 2010. For the whole year of 2014, the Changde Project handled solid waste of 304,425 tonnes (2013: 275,091 tonnes), generated on-grid electricity of 90.33 million kWh (2013: 71.17 million kWh), recorded a total revenue of HK$82.38 million (2013: HK$69.30 million) and contributed an EBITDA (excluding foreign exchange gain) of HK$42.28 million (2013: HK$32.27 million) and a net profit of HK$24.71 million (2013: HK$27.33 million), respectively.

In the second half of 2014, the Group has established a 99% equity owned joint venture (the "Haidian Licensed Company") for the investment and operation of a solid waste incineration plant in Beijing, namely 北京市海澱區循環經濟產業園再生能源發電廠PPP項目 Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Plant PPP Project (the "Haidian Project"). The total investment amount of the Haidian Project shall be RMB1,525 million and is operated on a Public-Private-Partnership ("PPP") basis. The Haidian Project has household waste treatment capacity of 2,500 tonnes/day, including household waste incineration of 2,100 tonnes/day (equipped with three 600 tonnes/day mechanical grate incinerators and two 20MW steam turbine generators) and kitchen waste biochemical treatment of 400 tonnes/day.

On 26 December 2014, the Haidian Licensed Company entered into a licensed operation agreement and under which the Haidian Licensed Company has been granted from the relevant government authority the exclusive right for the operation of the Haidian Project for 30 years from the date of commercial operation at a licensed operation fee of RMB925 million to be payable before the date of commercial operation. The Haidian Project is still under construction and is expected to be transferred and put into operation by the end of 2015. The Group has established a joint venture with Suez Environment, a world leader exclusively dedicated to water and waste management, for the provision of technical monitoring services to the Haidian Project.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

During the year under review, the system integration business under the Group's information technology segment remained stagnant. The new construction contracts carried out during the year included Beijing Subway Automatic Fare Collection Piecewise Charges Upgrade System and China National Offshore Oil Corporation Data Centre. The provision of total solution services to Beijing elementary education and universities, including network operation, internet access service, network service, software development, student smartcard operation and data operation, has moderate improvement as compared with last year.

During the last quarter of 2014, the Group has entered into agreements for the disposals of its interests in subsidiaries engaged in information technology business. The disposals, subject to the approval of independent shareholders (if applicable), are expected to be completed in 2015.

Business Prospects

The acquisition of the Taian Project and the Changde Project was the first step of the Group's strategic transformation. The Group has been carrying out the feasibility studies in respect of the expansion of the current capacities and the second phases of the projects. The Group will closely monitor the progress of the completion of the construction of the Haidian Project and its transfer in the coming months. The Company believes that the investment and operation of the Haidian Project, a remarkable waste incineration plant in Beijing, shall build a stronger business foundation and enlarge the source of income of the Group.

In addition, the Group has the intention and is under negotiations to acquire potential solid waste treatment business and is also actively exploring other new opportunities through organic growth and strategic acquisitions to swiftly capture market share in the solid waste treatment sector in the PRC, thereby creating value for the shareholders.

Financial Review

During the year under review, the Group commenced the solid waste treatment business upon the acquisition of the Taian Project and the Changde Project. The Group's reportable operating segments are structured as (i) the solid waste treatment segment; (ii) the information technology segment; and (iii) the corporate and others segment.

The Group's information technology segment is currently undertaken by the subsidiaries of B E Information Technology Group Limited ("BEITG") and Business Net (Hong Kong) Limited ("BNHK"), both are indirectly-owned subsidiaries of the Company. As at 31 December 2014, as a result of the proposed disposals of BEITG and BNHK, BEITG, BNHK and their respective subsidiaries were classified as disposal groups held for sale and the information technology segment was classified as a discontinued operation. Certain comparative amounts have been restated and reclassified.

Continuing operations

Revenue

The Group's revenue in 2014 comprised the provision of solid waste treatment services of HK$29.26 million, sale of electricity and steam generated from waste incineration of HK$79.26 million from the Taian Project and the Changde Project during the post-acquisition period from May to December 2014, representing a year-to-year growth of 9.2% as compared with the pre-acquisition year of 2013.

Cost of sales

The Group's corresponding cost of sales in 2014 was HK$75.09 million.

Gross profit

The Group recorded a gross profit of HK$33.43 million and a gross profit margin of 30.8% in 2014, representing a year-to-year growth of 19% as compared with the pre-acquisition year of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Other income and gains, net

The Group's other income and gains, net in 2014 amounted to HK$11.80 million, as compared with HK$10.20 million in 2013. The other income mainly comprised bank interest income of HK$11.41 million, increased by HK$1.70 million as compared with HK$9.71 million in 2013.

Administrative expenses

The Group's administrative expenses in 2014 was HK$31.75 million, of which HK$9.00 million was incurred by the solid waste treatment segment and HK$22.75 million was incurred by the corporate and others segment, increased by HK$9.45 million as compared with HK$22.30 million in 2013. The administrative expenses of the current year included the expenses incurred for merger and acquisition of HK$3.45 million.

Other operating expenses, net

The Group's other operating expenses in 2014 amounted to HK$0.28 million, as compared with HK$1.96 million in 2013.

Finance costs

The Group's finance costs incurred from the convertible bonds subscribed by the immediate holding company, Idata Finance Trading Limited ("Idata"), in 2014 was HK$4.23 million, decreased by HK$3.42 million as compared with HK$7.65 million in 2013.

Income tax

The Group's income tax expense for 2014 was HK$1.40 million, compared with the income tax credit of HK$0.04 million in 2013.

Discontinued operation

The total revenue of the information technology segment in 2014 was HK$239.99 million, an increase of 24.3% as compared with HK$193.07 million in 2013. The other income and gains, net (including the gain on deemed disposal of interests in an associate, China Information Technology Development Limited ("CITD"), of HK$22.88 million) was HK$26.75 million, as compared with HK$7.65 million in 2013. Cost of sales and operating expenses was HK$269.59 million, as compared with HK$210.64 million in 2013. Share of net profits of a joint venture and associates was HK$0.60 million, as compared with HK$2.48 million in 2013.

Profit for the year

	Profit/(loss) for the year		Profit/(loss) for the year attributable to shareholders of the Company	
	2014	2013	**2014**	2013
	HK$ million	HK$ million	**HK$ million**	HK$ million
Continuing operations				
– Solid waste treatment segment	**25.00**	—	**25.01**	—
– Corporate and others segment	**(17.47)**	(21.66)	**(17.33)**	(21.52)
	7.53	(21.66)	**7.68**	(21.52)
Discontinued operation				
– Information technology segment	**(2.38)**	(7.45)	**(0.16)**	(2.96)
	5.15	(29.11)	**7.52**	(24.48)

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Financial Position

Investing activities

On 29 April 2014, the Group completed the acquisition of the entire equity interests in the Taian Project and the Changde Project for a total consideration of RMB520 million. The consideration was satisfied as to RMB86.79 million by cash and RMB433.21 million by the issue of 347 million ordinary shares of the Company at an issue price of HK$1.60 per share (fair value of which on issue date was HK$2.36 per share). The fair value of the identifiable net assets of the Taian Project and the Changde Project as at the date of acquisition was HK$766.64 million, including property, plant and equipment of HK$223.19 million, prepaid land lease payments of HK$26.25 million, operating concession of HK$397.40 million and other intangible assets of HK$106.41 million, deferred tax liabilities of 62.09 million and other net current assets of HK$75.48 million. Goodwill on acquisition was HK$160.16 million and net cash outflow arising from acquisition was HK$60.94 million.

On 18 August 2014, the Group disposed of 189,551,344 ordinary shares of CITD, representing approximately 7.03% of its issued share capital, at a consideration of HK$22.94 million. After the disposal, the Group ceased to have any equity interest in CITD. During the year under review, the investment in CITD contributed a net profit to the shareholders of the Company of HK$2.31 million.

In the second half of 2014, the Group has established the Haidian Licensed Company with an ultimate registered capital and total investment amount of RMB308.34 million and RMB925 million, respectively. In November 2014, the Group has injected an initial registered capital of RMB198 million.

On 9 October 2014, the Group entered into an equity transfer agreement for the disposal of its 60% equity interest in BNHK and the shareholder's loan owed by BNHK to the Group at a total consideration of HK$13 million. The disposal of BNHK is expected to be completed in 2015.

On 23 December 2014, the Group entered into an equity transfer agreement with a fellow subsidiary, Beijing Enterprises Group Information Limited (a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, the ultimate holding company of the Company), pursuant to which the Group conditionally agreed to dispose of its 72% equity interest in BEITG and the shareholders' loans owed by BEITG and its subsidiaries to the Group at a total consideration of HK$126 million. Subject to the approval of the independent shareholders of the Company, the disposal of BEITG is expected to be completed in 2015.

Financing activities

On 28 February 2013, pursuant to the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto, collectively, the "Subscription Agreement") entered into between the Company, Idata (a wholly owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL", an intermediate holding company of the Company)), as subscriber, and BEHL, as guarantor, Idata subscribed for the issue of 177 million new ordinary shares of the Company at a price of HK$1.13 per share and firm convertible bonds of the Company in the principal amount of HK$300.58 million at an initial conversion price of HK$1.13 per share. The net proceeds of HK$498.61 million was intended to be used for investment in environmental protection and solid waste treatment business, as described in the circular of the Company dated 21 December 2012. In addition, pursuant to the Subscription Agreement and subject to the Company's satisfaction of certain pre-conditions to giving notice to Idata, the Company shall have the right to require Idata to subscribe for such amount of standby convertible bonds of an aggregate principal amount of HK$3,000.15 million with an initial conversion price of HK$1.13 per share as the Company may consider appropriate.

On 24 April 2014, Idata subscribed for part of the standby convertible bonds of the Company in the principal amount of HK$113 million to finance the cash consideration of the acquisition of the Taian Project and the Changde Project of HK$107.88 million and related expenses, as described in the circular of the Company dated 27 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

On 25 April 2014, certain convertible bonds of the Company with an aggregate principal amount of HK$323.18 million were converted into 286 million ordinary shares of the Company at the conversion price of HK$1.13 per share.

On 29 April 2014, 347 million ordinary shares of the Company were issued as consideration shares for the acquisition of the Taian Project and the Changde Project.

On 29 December 2014, Idata subscribed for part of the standby convertible bonds in the principal amount of HK$770.60 million, and together with the net proceeds of HK$498.61 million from the issue of new ordinary shares and firm convertible bonds received on 28 February 2013, to finance the capital commitment for the Haidian Licensed Company of RMB921.92 million and the general working capital of the Haidian Project, as described in the circular and announcement of the Company dated 10 October 2014 and 29 December 2014, respectively. As at 31 December 2014, the Company has paid HK$250 million as initial registered capital of the Haidian Licensed Company and the remaining balance of the proceeds of HK$1,019.21 million has been placed in licensed banks in Hong Kong to generate interest income.

As a consequence, during the year ended 31 December 2014, the number of ordinary shares of the Company in issue has been increased by 641,100,000 to 1,496,060,150, including 8,100,000 ordinary shares issued upon the exercise of share options during the year.

Financial position

As at 31 December 2014, the Group's total assets increased by HK$1,761.02 million to HK$3,192.90 million (including those assets of disposal groups classified as held for sale of HK$321.75 million) and total liabilities increased by HK$629.20 million to HK$1,132.01 million (including those liabilities directly associated with assets classified as held for sale of HK$218.70 million) as compared with 31 December 2013. The Group's net assets increased by HK$1,131.83 million to HK$2,060.89 million, of which equity attributable to shareholders of the Company amounted to HK$2,053.67 million as at 31 December 2014.

Liquidity and financial resources

As at 31 December 2014, the cash and bank balances held by the Group (excluded the disposal groups) amounted to HK$1,692.47 million. During the year, net cash flows used in operating activities amounted to HK$123.56 million, net cash flows used in investing activities amounted to HK$58.93 million and net cash flows from financing activities HK$824.66 million. As at 31 December 2014, the Company has outstanding convertible bonds subscribed by Idata with an aggregate principal amount of HK$791 million at an initial conversion price of HK$1.13 per share. The convertible bonds are unsecured, bear interest at 1% per annum and will be matured in February 2018.

As at 31 December 2014, the Group had no charge on its assets, did not have any bank borrowings, nor did it hold any financial derivatives. As at 31 December 2014, the Group had a net current assets of HK$1,912.26 million and its current ratio increased from 5.79 times to 7.56 times and total liabilities to assets ratio increased from 35.1% to 35.5%.

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. The Group finances its daily operations of the existing business primarily with internally generated cash flow. When the Group comes across with acquisition or investment opportunities, the Group will first utilise the internal funding and arrange for project finance from financial institutions. Depending on its investment needs, the Group may also consider raising fund from the shareholders and potential investors of the Company in compliance with relevant statutory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Foreign exchange risks

The Group's cash and bank balances were denominated as to 71% in Hong Kong dollars and 29% in Renminbi. The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to translational foreign exchange risk. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve. During the year ended 31 December 2014, the Group did not enter into any foreign currencies hedging arrangements.

Capital expenditure and commitment and contingent liabilities

During the year ended 31 December 2014, the total capital expenditures of the Group amounted to HK$771.00 million, including the acquisition of the Taian Project and the Changde Project in April 2014 amounted to HK$753.25 million. As at 31 December 2014, the Group had capital commitment of RMB925 million (equivalent to HK$1,156.25 million) for the operating concession of the Haidian Project and HK$8 million for the balance payment of a property. The Group did not have any material contingent liabilities.

Employees and Remuneration Policy

	Number of employees as at 31 December		Total expenses on employee benefits for the year ended 31 December	
	2014	2013	**2014 HK$ million**	2013 HK$ million
Continuing operations				
– Solid waste treatment segment	**215**	—	**10.81**	—
– Corporate and others segment	**28**	25	**6.99**	6.75
	243	25	**17.80**	6.75
Discontinued operation				
– Information technology segment	**221**	215	**37.11**	36.70
	464	240	**54.91**	43.45

The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. The Group encourages and finances its employees to attend training courses in the fields of their job responsibilities. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

The Company operates a share option scheme for the Group's employees and directors. During the year ended 31 December 2014, no share option was granted, forfeited or lapsed and 8,100,000 share options were exercised at an exercise price of HK$1.25 per share. As at 31 December 2014, the Company had 42,820,000 share options outstanding, which were granted on 21 June 2011 at an exercise price of HK$1.25 per share and represented approximately 2.9% of the Company's ordinary shares in issue as at 31 December 2014.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. E Meng, aged 56, is the chairman of the Company and also serves as the vice general manager and the chief financial officer of Beijing Enterprises Group Company Limited ("BEGCL"), an executive director and the executive vice president of Beijing Enterprises Holdings Limited ("BEHL", stock code: 392), the vice chairman and an executive director of Beijing Enterprises Water Group Limited ("BE Water Group", stock code: 371) and an independent non-executive director of JLF Investment Company Limited (stock code: 472). Mr. E graduated from China Science and Technology University with a master degree in engineering. He is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, certified real estate appraiser and tax appraiser. From 1988 to 1997, he was the deputy director of Beijing New Technology Development Zone and concurrently acting as the director of the Department of Financial Auditing, the general manager of Investment Operation Company, the chief accountant of Beijing Tianping Accounting Firm and the deputy director of the State-owned Assets Management Office of Beijing Haidian District. Mr. E has extensive experience in economics, finance and enterprise management. Mr. E joined the Group in April 2001.

Mr. ZHANG Honghai, aged 62, graduated from Peking University in 1982 and subsequently completed a postgraduate programme at the International Business School of Hunan University and was awarded a master degree and the title of senior economist. Mr. Zhang also obtained an EMBA degree from Guanghua School of Management, Peking University. Mr. Zhang has worked for the Beijing Municipal Government for many years. Prior to joining the Company, Mr. Zhang was the director of the Foreign Affairs Office of the People's Government of Beijing Municipality and Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality. Mr. Zhang currently is the vice president of the Beijing Chinese Overseas Friendship Association. Mr. Zhang initially worked as deputy general manager and was then promoted to vice chairman and general manager of Beijing International Trust Investment Limited during the period from 1990 to 1998, and has accumulated extensive experience in corporate management. Mr. Zhang is currently the chairman and an executive director of BEP International Holdings Limited (stock code: 2326). Mr. Zhang joined the Group in March 2004.

Mr. KE Jian, aged 46, is the vice chairman and the chief executive officer of the Company and also serves as a vice president of BEHL, an executive director of BE Water Group and the chairman of Beijing Enterprises Holdings Environment Technology Co., Ltd. ("BEHET"). Mr. Ke is a PRC Senior Accountant, Certified Tax Agent and Senior International Finance Manager and obtained a bachelor's degree in economics from Beijing College of Finance and Commerce. Mr. Ke has accumulated extensive experience in finance and corporate management. Mr. Ke joined the Group in August 2013.

Ms. SHA Ning, aged 44, is a vice president of the Company and also serves as an assistant president and the manager of finance department of BEHL. Ms. Sha graduated from the Business Faculty of Heilongjiang University in 1992, majored in Business and Economic Studies, and holds a second degree in Foreign Trade Accounting in Beijing School of Business and Capital University of Economics and Business, an EMBA degree from The Hong Kong University of Science and Technology and the title of PRC Senior Accountant. Ms. Sha joined BEHL in 2001 and has been seconded as the financial controller of certain subsidiaries of BEHL. Ms. Sha has extensive working experience in financial management. Ms. Sha joined the Group in March 2009.

Ms. QIN Xuemin, aged 56, is a vice president of the Company and also serves as an assistant president of BEHL, the general manager of Beijing Beikong Hongchuang Technology Co., Ltd. and Beijing Beikong New Energy Technology Development Co., Ltd. Ms. Qin is an Associate Research Fellow and obtained a master's degree from the Beijing Institute of Technology. Ms. Qin has been the head of the Office of State-Owned Assets Investment Business Company and the vice chairman of the Administration Office for State-Owned Assets at the Beijing New Technology Industrial Development Test Zone. Ms. Qin has joined BEHL since July 2000 and has been the deputy general manager of Beijing Enterprises Holdings High-Tech Development Co., Ltd., a non-executive director (resigned in January 2011) of Biosino Bio-Technology and Science Incorporation (stock code: 8247). Ms. Qin has accumulated extensive experience in building construction and corporate management. Ms. Qin joined the Group in August 2013.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

Executive Directors *(continued)*

Mr. NG Kong Fat, Brian, aged 59, graduated from the University of Stirling in Scotland in 1983 and is a member of the Institute of Chartered Accountants of Scotland. Mr. Ng has extensive experience in corporate, investment and financial management. Mr. Ng joined the Group in July 1993.

Independent Non-Executive Directors

Dr. JIN Lizuo, aged 57, holds a doctorate degree in Economics from Oxford University and has been the chief councillor of Shanghai Institute of Law & Economics, the chairman of Zhonghe Yingtai Management Consultancy Co., Ltd., the specialist committee member of China Xinda Assets Management Corporation. Dr. Jin graduated from Peking University School of Economics in 1982 and has been teaching in the university. From 1983 to 1988, Dr. Jin served as the member of State Economic Structure Reforms Committee and was the First President (1988-89) of Chinese Economic Association (UK). From 1993 to 1995, Dr. Jin has worked for N.M. Rothschild and Morgan Stanley and thereafter accumulated extensive experience in investment banking and financial management. Dr. Jin has retired as an independent non-executive director of Huabao International Holdings Limited (stock code: 336) and an independent director of Cosco Shipping Co., Ltd. (listed in Shanghai stock exchange) with effect from August 2013 and March 2012, respectively. Dr. Jin joined the Group in September 2004.

Dr. HUAN Guocang, aged 65, is currently the chief executive officer of Primus Pacific Partners Limited ("Primus"). Dr. Huan holds master degrees in arts from the Graduate School of International Studies of the University of Denver in 1982 and Columbia University in 1983, a PhD degree from Princeton University in 1987 and John Olin post doctorial fellow from the Centre for International and Strategic Studies of Harvard University in 1987. Before the set-up of Primus in 2005, Dr. Huan has been the Head of Investment Banking (Asia Pacific) of HSBC, the co-Head of Investment Banking (Asia Pacific) of Citigroup, the managing director and Head of China of BZW Asia Limited, a senior economist and vice president of J.P. Morgan, an assistant professor of Columbia University and an economist of Deutsche Bank. Dr. Huan joined the Group in January 2008.

Dr. WANG Jianping, aged 57, is currently a senior partner of King & Wood Mallesons, a law firm in China. Dr. Wang holds a bachelor degree in law from the Law School of Peking University in 1982, a master degree in law from the Law School of Harvard University in 1984 and a doctorate degree in law from the Law School of Washington University in Missouri in 1991. Before being admitted as a Chinese lawyer and joining King & Wood in 1998, Dr. Wang was further admitted to the Missouri Bar in 1991 and then practiced in St. Louis, Missouri from 1991 to 1997. From 1984 to 1988, Dr. Wang worked with the Legislative Affairs Committee of the Standing Committee of National People's Congress and has participated in the legislation of the Grassland Law, Fishery Law, Bankruptcy Law, Law of Chinese-foreign Cooperative Joint Venture, and Customs Law, etc. Dr. Wang joined the Group in January 2008.

Prof. NIE Yongfeng, aged 69, is a professor at School of Environment, Tsinghua University, a doctoral supervisor for a doctoral program in Radiation Protection and Environment Protection, and a doctoral supervisor for Environmental Science and Engineering. He retired in April 2011, and is currently the deputy director of the Academic Committee of the Ministry of Education Key Laboratory for "Solid Waste Management and Environment Safety", Tsinghua University, a member of each of the Science and Technology Committee, the Municipal Work Committee, and the Resources and Sustainable Development Committee, Ministry of Housing and Urban-Rural Development, a member of the Expert Committee, the China Association of Urban Environmental Sanitation, a member of the Urban Garbage Treatment Professional Committee, the China Association of Environmental Protection Industry. Prof. Nie has solid theoretical foundation and extensive practical experience in urban domestic garbage, industrial solid waste and dangerous waste management, treatment, disposal and resource utilisation technology, and groundwater remediation theory and technology. Prof. Nie joined the Group in January 2014.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

Independent Non-Executive Directors *(continued)*

Mr. CHEUNG Ming, aged 53, is currently an executive director and the chief executive officer of BEP International Holdings Limited ("BEP", stock code: 2326). Prior to joining BEP, he had served as the executive director of Hengli & Liqi Furniture Limited ("Hengli"), a Hong Kong company specialising in the production of furniture for sale to Europe markets, and was responsible for the international business development of Hengli. Before joining Hengli, Mr. Cheung had served as the chief executive officer of a Hong Kong based retail company. Mr. Cheung has extensive business management experience including over 30 years of experience in retail business and international trade in Mainland China, Hong Kong and Taiwan. Mr. Cheung had been leading the companies he served in setting down long-term development blueprints including strategies for corporate and business development as well as brand building to enhance their market competitiveness and profitability, which laid the solid foundation for their sustainable growth in the Greater China and Asia-Pacific regions. Mr. Cheung joined the Group in August 2014.

Senior Management

Mr. ZHU Jian, aged 45, is a vice president of the Company and also serves as the general manager of BEHET. Mr. Zhu graduated from the Foreign Languages Department of Wuhan University of Technology in 1991 and subsequently obtained a MBA degree from the Faculty of Management, Wuhan University of Technology. He has extensive working experience in corporate management and in the field of environmental protection. Mr. Zhu joined the Group in August 2014.

Mr. WONG Kwok Wai, Robin, aged 48, is the financial controller and the company secretary of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has been worked for a major international accounting firm and has extensive experience in administration, auditing, accounting and corporate finance. Mr. Wong joined the Group in July 1993.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

Save as disclosed below, the Company has complied with all the applicable code provisions (the "Code Provisions") 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") for the year ended 31 December 2014.

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 of the Listing Rules for securities transactions by director(s) of the Company (the "Director(s)"). All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

Board of Directors

The board of Directors (the "Board") is mainly accountable to the shareholders and is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operation and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

On 1 January 2014 and 28 August 2014, Prof. Nie Yongfeng and Mr. Cheung Ming were appointed as independent non-executive Directors, respectively. On 28 August 2014, Mr. Wang Yong resigned as an executive Director. At present, the Board comprises six executive Directors and five independent non-executive Directors. Details of backgrounds and qualifications of Directors are set out on pages 11 to 13. There is no relationship (including financial, business, family or other material/relevant relationship) between the Board members. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

During the year ended 31 December 2014, the Board has complied with Rules 3.10(1) and (2) of the Listing Rules which composed of at least three independent non-executive Directors, and has two independent non-executive Directors with appropriate financial management expertise. The independent non-executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders. The Company has received annual confirmations of independence from each of the independent non-executive Directors and still considers them to be independent.

The Directors are regularly briefed and updated with written materials on the latest developments of the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board of Directors *(continued)*

According to the records maintained by the Company, the Directors received the training on disclosure requirements and principal directors' responsibilities under the Listing Rules in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2014:

Name of Director	Position	Self reading materials	Attended seminar
Mr. E Meng	Chairman and executive Director	✓	✓
Mr. Zhang Honghai	Executive Director	✓	
Mr. Ke Jian	Vice Chairman and executive Director	✓	✓
Mr. Wang Yong	Executive Director *(resigned on 28 August 2014)*	✓	
Ms. Sha Ning	Executive Director	✓	✓
Ms. Qin Xuemin	Executive Director	✓	✓
Mr. Ng Kong Fat, Brian	Executive Director	✓	
Dr. Jin Lizuo	Independent non-executive Director	✓	
Dr. Huan Guocang	Independent non-executive Director	✓	
Dr. Wang Jianping	Independent non-executive Director	✓	
Prof. Nie Yongfeng	Independent non-executive Director *(appointed on 1 January 2014)*	✓	
Mr. Cheung Ming	Independent non-executive Director *(appointed on 28 August 2014)*	✓	

The Board held two regular meetings during the year ended 31 December 2014. Details of attendance of each Director at the regular Board meetings and general meetings are as follows:

		Attendance	
Name of Director	Position	Regular Board meetings	General meetings
Mr. E Meng	Chairman and executive Director	2/2	0/2
Mr. Zhang Honghai	Executive Director	2/2	0/2
Mr. Ke Jian	Vice Chairman and executive Director	1/2	0/2
Mr. Wang Yong	Executive Director *(resigned on 28 August 2014)*	2/2	2/2
Ms. Sha Ning	Executive Director	2/2	0/2
Ms. Qin Xuemin	Executive Director	2/2	1/2
Mr. Ng Kong Fat, Brian	Executive Director	2/2	0/2
Dr. Jin Lizuo	Independent non-executive Director	2/2	0/2
Dr. Huan Guocang	Independent non-executive Director	2/2	0/2
Dr. Wang Jianping	Independent non-executive Director	2/2	0/2
Prof. Nie Yongfeng	Independent non-executive Director *(appointed on 1 January 2014)*	2/2	0/2
Mr. Cheung Ming	Independent non-executive Director *(appointed on 28 August 2014)*	0/0	0/0

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board of Directors *(continued)*

Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold Board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.

Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the Board (the "Chairman").

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, all independent non-executive Directors were unable to attend the general meetings of the Company due to other business engagements.

Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration and nomination committees to attend. However, the chairmen of the board and its committees were unable to attend the annual general meeting due to other business engagements.

Chairman and President

The Company has complied with Code Provision A.2.1 which stipulates that the roles of chairman and president should be separated and should not be performed by the same individual. Mr. E Meng, the Chairman, is responsible for the approval and supervision of the overall strategies and policies of the Group, approval of annual budgets and business plans, evaluation of the Company's performance and oversight of the management. On 28 August 2014, Mr. Ke Jian replaced Mr. Wang Yong as the chief executive officer of the Company, and is responsible for the day-to-day operations of the Group.

Non-Executive Directors

None of the existing non-executive Directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1 which stipulates non-executive directors should be appointed for a specific term, subject to re-election. However, in view of the fact that all non-executive Directors are subject to retirement by rotation in accordance with the Company's articles of association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the Code Provision.

Corporate Governance Functions

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

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board Committees

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with Rule 3.25 of the Listing Rules and Code Provision B.1. The members of the Remuneration Committee comprise three independent non-executive Directors, namely Dr. Jin Lizuo (committee chairman), Dr. Huan Guocang and Dr. Wang Jianping and the Chairman, Mr. E Meng. The Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve executive Directors' and senior management's remuneration.

The role and function of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of 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 packages of individual executive Directors and senior management; (iv) to make recommendations to the Board on the remuneration packages of non-executive Directors; (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vi) 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 relevant contractual terms and is otherwise fair and not excessive; (vii) 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 (viii) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

No meeting was held by the Remuneration Committee during the year under review and the remuneration packages of the Board members remain unchanged for the year. Details of the Directors' remuneration and remuneration payable to non-director highest paid employees are set out in notes 8 and 9 to the financial statements, respectively.

Nomination Committee

The Nomination Committee was established with terms of reference in accordance with Code Provision A.5. The members of the Nomination Committee comprise the Chairman, Mr. E Meng (committee chairman), and three independent non-executive Directors, namely Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.

The role and function of the Nomination Committee include (i) review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) review the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time, and to review the progress of achieving those objectives; (iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iv) assess the independence of independent non-executive Directors; and (v) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee held a meeting during the year under review with all the committee members attended. The meeting has reviewed the current structure, size, composition and diversity of the Board and has make recommendations on the proposed changes of Board members.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board Committees *(continued)*

Audit Committee

The Audit Committee was established with written terms of reference in accordance with Rule 3.21 of the Listing Rules and Code Provision C.3. The current members of the Audit Committee comprise three independent non-executive Directors, namely Dr. Huan Guocang (committee chairman), Dr. Jin Lizuo and Dr. Wang Jianping.

The role and function of the Audit Committee include (i) maintenance of the relationship with the Company's auditors; (ii) review of the Company's financial information; and (iii) oversight of the Company's financial reporting system and internal control procedures.

The Audit Committee held two meetings during the year under review with all the committee members attended. The meeting has reviewed the interim and annual results, financial positions, internal control, impacts of the new accounting standards and management issues of the Group.

Auditors' Remuneration

An analysis of remuneration in respect of services provided by the auditors, Ernst & Young, of the Group is as follows:

	HK$'000
Annual audit services	2,180
Acting as the reporting accountants in respect of the Group's potential acquisitions	850
Agreed-upon procedures on interim financial statements	500
	3,530

Directors' and Auditors' Responsibilities for Accounts

The Directors' responsibilities for preparing the accounts and the responsibilities of the auditors to the shareholders are set out on page 27. The Directors have confirmed that the Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and compliance controls and risk management functions. During the year ended 31 December 2014, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

Company Secretary

The company secretary of the Company is Mr. Wong Kwok Wai, Robin. Details of background and qualification of Mr. Wong are set out on page 13. Mr. Wong has complied with Rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Shareholders' Rights

The Company recognises the importance of good communications with shareholders and investors and also recognises the value of providing current and relevant information to shareholders and investors. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual and extraordinary general meetings of the Company provide a forum for shareholders to exchange views directly with the Board, which together help enhance and facilitate communication with shareholders. All registered shareholders are entitled to attend the general meetings and notices of meeting are served by post. Shareholders who are unable to attend a general meeting may complete and return to the Company's share registrar the proxy form enclosed with notice of meeting to give proxy to their representatives or chairman of the meeting.

Shareholders' Right to Convene Extraordinary General Meeting

The articles of association of the Company 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 Hong Kong 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

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company in Hong Kong, or by fax (+852 2529 3725), or by e-mail to general@bdhk.com.hk for the attention of the company secretary.

Shareholders' Right to Put Forward Proposals at General Meetings

The Hong Kong 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 Hong Kong 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 in Hong Kong, or by fax (+852 2529 3725), or by e-mail to general@bdhk.com.hk for the attention of the company secretary.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 20 to the financial statements. During the year, the Group has entered into the environmental protection industry and participating in the field of solid waste treatment, and decided to discontinue its activities in the provision of information technology related services.

Results and Dividends

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 117.

The directors do not recommend the payment of any dividend in respect of the year.

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 118. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

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

Share Capital, Share Options and Convertible Bonds

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 28, 29 and 32 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.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2014, the Company had no reserves available for distribution, calculated in accordance with the provisions of Part 6 the Hong Kong Companies Ordinance (Cap.622). In addition, the amount previously included in the Company's share premium account and transferred to share capital during the year, in the amount of HK$192,892,000 (2013: HK$192,892,000) may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS *(CONTINUED)*

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 95% of the total sales for the year and sales to the largest customer included therein amounted to 41%. Purchases from the Group's five largest suppliers accounted for 93% of the total purchases for the year and purchases from the largest supplier included therein amounted to 34%.

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

Directors

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

Executive directors:

Mr. E Meng *(Chairman)*
Mr. Zhang Honghai
Mr. Ke Jian *(Vice Chairman and Chief Executive Officer)*
Ms. Sha Ning *(Vice President)*
Ms. Qin Xuemin *(Vice President)*
Mr. Ng Kong Fat, Brian
Mr. Wang Yong *(resigned on 28 August 2014)*

Independent non-executive directors:

Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng *(appointed on 1 January 2014)*
Mr. Cheung Ming *(appointed on 28 August 2014)*

In accordance with articles 95 and 104(a) of the Company's articles of association, Mr. E Meng, Ms. Sha Ning, Dr. Jin Lizuo, Dr. Huan Guocang and Mr. Cheung Ming will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the existing non-executive directors of the Company is appointed for a specific term.

Mr. Zhang Honghai has resigned as the chairman and an executive director of Beijing Enterprises Water Group Limited (stock code: 371) with effect from 29 October 2014. Saved as disclosed above, since the issue date of the Company's 2014 interim report, there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

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

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of the annual report.

REPORT OF THE DIRECTORS *(CONTINUED)*

Directors' Service Contracts

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 board of directors with reference to directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's remuneration committee are set out in the corporate governance report on page 17 of the annual report.

Directors' Interests in Contracts

Save as the transactions with Beijing Enterprises Group Company Limited ("BEGCL") and its subsidiaries, further details of which are set out in notes 12 and 40 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

At 31 December 2014, the interests and short positions of the directors 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest			
Name of director	Directly beneficially owned	Through a controlled corporation	Total	Percentage of the Company's share capital
Mr. E Meng	601,000	—	601,000	0.04
Mr. Zhang Honghai	4,000,000	—	4,000,000	0.27
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	0.69
	6,201,000	8,792,755	14,993,755	1.00

The 8,792,755 ordinary shares are held by Sunbird Holdings Limited, a company beneficially owned by Mr. Ng Kong Fat, Brian and his associate.

REPORT OF THE DIRECTORS *(CONTINUED)*

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares *(continued)*

Long positions in share options of the Company:

The interests of the directors in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

Long positions in ordinary shares of an associated corporation – Beijing Enterprises Holdings Limited:

Name of director	Number of ordinary shares directly beneficially owned	Percentage of the associated corporation's share capital
Mr. E Meng	30,000	0.002

Long positions in share options of an associated corporation – Beijing Properties (Holdings) Limited:

	Number of share options directly beneficially owned		
Name of director	Batch 1	Batch 2	Total
Mr. E Meng	5,000,000	3,600,000	8,600,000
Mr. Zhang Honghai	6,000,000	5,000,000	11,000,000
	11,000,000	8,600,000	19,600,000

Batch 1: These share options were granted on 28 October 2011 at an exercise price of HK$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.

Batch 2: These share options were granted on 1 June 2012 at an exercise price of HK$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.

Save as disclosed above, as at 31 December 2014, none of the directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 29 to the financial statements.

REPORT OF THE DIRECTORS *(CONTINUED)*

Share Option Scheme *(continued)*

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

	Number of share options		
Name or category of participant	At 1 January 2014	Exercised during the year	At 31 December 2014
Executive directors:			
Mr. E Meng	6,770,000	—	6,770,000
Mr. Zhang Honghai	6,770,000	—	6,770,000
Mr. Ng Kong Fat, Brian	5,500,000	—	5,500,000
Independent non-executive directors:			
Dr. Jin Lizuo	670,000	—	670,000
Dr. Huan Guocang	670,000	—	670,000
Dr. Wang Jianping	670,000	—	670,000
Other employees:			
In aggregate*	29,870,000	(8,100,000)	21,770,000
	50,920,000	(8,100,000)	42,820,000

* Included 6,770,000 share options held by Mr. Wang Yong who resigned as an executive director of the Company on 28 August 2014.

The outstanding share options were granted on 21 June 2011 at an exercise price of HK$1.25 (subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital) per ordinary share of the Company. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in 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, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Contract of Significance

Save as the transactions with BEGCL and its subsidiaries, further details of which are set out in notes 12 and 40 to the financial statements, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

REPORT OF THE DIRECTORS *(CONTINUED)*

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

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

Long positions in ordinary shares of the Company:

Name	Notes	Number of ordinary shares held, capacity and nature of interest: Directly beneficially owned	Through controlled corporations	Total	Percentage of the Company's share capital
Idata Finance Trading Limited ("Idata")		738,675,000	—	738,675,000	49.37
Beijing Enterprises Holdings Limited ("BEHL")	(a)	14,784,000	738,675,000	753,459,000	50.36
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	—	753,459,000	753,459,000	50.36
BEGCL	(b)	—	753,459,000	753,459,000	50.36
Cosmos Friendship Limited ("Cosmos")		347,000,000	—	347,000,000	23.19
Khazanah Nasional Berhad ("Khazanah")	(c)	—	347,000,000	347,000,000	23.19

Notes:

(a) The interest disclosed includes the ordinary shares owned by Idata. Idata is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the ordinary shares owned by Idata.

(b) The interests disclosed include the ordinary shares owned by BEHL and Idata. BEBVI and BEGCL are the immediate holding company and the ultimate holding company of BEHL, respectively. Accordingly, each of BEBVI and BEGCL is deemed to be interested in the ordinary shares owned by each of BEHL and Idata.

(c) The interests disclosed include the ordinary shares owned by Cosmos. Cosmos is a wholly-owned subsidiary of Khazanah. Accordingly, Khazanah is deemed to be interested in the ordinary shares owned Cosmos.

Save as disclosed above, as at 31 December 2014, no person, other than the directors of the Company, whose interests are set out in the section "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 *(CONTINUED)*

Connected Transactions

During the year, the Company and the Group had the following connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules), certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) On 24 April 2014 and 29 December 2014, pursuant to the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto and approved by the independent shareholders of the Company at an extraordinary general meeting held on 11 January 2013) entered into between the Company, Idata (as subscriber) and BEHL (as guarantor), Idata has subscribed for the standby convertible bonds of the Company in the principal amount of HK$113,000,000 and HK$700,600,000, respectively. Further details of the transactions are set out in the Company's announcements dated 24 April 2014 and 29 December 2014, respectively, and notes 28 and 32 to the financial statements.

(b) On 23 December 2014, Prime Technology Group Limited ("PTG"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with a fellow subsidiary, Beijing Enterprises Group Information Limited ("BEGIL", a wholly-owned subsidiary of BEGCL), pursuant to which PTG conditionally agreed to dispose of its 72% equity interest in B E Information Technology Group Limited ("BEITG") and its subsidiaries (collectively the "BEITG Group") and the shareholders' loans owed by the BEITG Group to the Group at a total consideration of HK$126,000,000. The transaction constitutes a connected transaction and a very substantial disposal of the Company under Chapters 14A and 14 of the Listing Rules, respectively and is subject to the reporting, announcement and independent shareholder's approval requirements under Chapters 14A and 14 of the Listing Rules. Further details of the transaction are set out in the Company's announcements dated 23 December 2014. At the date of approval of these financial statements, the transaction, which is subject to, inter alia, approval from the independent shareholders of the Company, has not yet been completed.

Sufficiency of Public Float

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

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

E Meng
Chairman

Hong Kong
31 March 2015

INDEPENDENT AUDITORS' REPORT

Ernst & Young
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To the shareholders of Beijing Development (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 29 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit 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
31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	108,516	—
Cost of sales		(75,091)	—
Gross profit		33,425	—
Other income and gains, net	5	11,804	10,203
Administrative expenses		(31,749)	(22,300)
Other operating expenses, net		(280)	(1,957)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	6	13,200	(14,054)
Finance costs	7	(4,233)	(7,649)
Share of loss of a joint venture		(33)	—
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		8,934	(21,703)
Income tax	10	(1,401)	40
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		7,533	(21,663)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	(2,386)	(7,449)
PROFIT/(LOSS) FOR THE YEAR		5,147	(29,112)
ATTRIBUTABLE TO:			
Shareholders of the Company	11		
Continuing operations		7,681	(21,521)
Discontinued operation		(162)	(2,963)
		7,519	(24,484)
Non-controlling interests		(2,372)	(4,628)
		5,147	(29,112)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
— Basic (HK cents)			
For profit/(loss) for the year		0.58	(2.96)
For profit/(loss) from continuing operations		0.60	(2.60)
— Diluted (HK cents)			
For profit for the year		0.57	N/A
For profit from continuing operations		0.59	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**5,147**	(29,112)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange fluctuation reserve:			
— Translation of foreign operations		**(11,366)**	17,815
— Release upon disposal of a subsidiary	36	**—**	(706)
— Release upon deemed disposal of interests in an associate		**(2,222)**	—
Share of other comprehensive loss of an associate		**(80)**	(1,028)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(13,668)**	16,081
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(8,521)**	(13,031)
ATTRIBUTABLE TO:			
Shareholders of the Company		**(5,507)**	(10,291)
Non-controlling interests		**(3,014)**	(2,740)
		(8,521)	(13,031)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	14	**228,496**	9,747
Investment properties	15	**46,376**	47,752
Prepaid land lease payments	16	**25,868**	—
Goodwill	17	**160,161**	—
Operating concession	18	**386,558**	—
Other intangible assets	19	**103,613**	2,857
Investments in joint ventures	21	**5,967**	11,986
Investments in associates	22	**—**	25,910
Trade receivables	25	**—**	7,678
Prepayment	26	**32,000**	32,821
Total non-current assets		**989,039**	138,751
Current assets:			
Inventories	23	**2,377**	9,609
Amounts due from contract customers	24	**—**	1,331
Trade receivables	25	**44,484**	68,101
Prepayments, deposits and other receivables	26	**142,777**	36,894
Pledged deposits	27	**—**	3,200
Cash and cash equivalents	27	**1,692,467**	1,173,990
		1,882,105	1,293,125
Assets of disposal groups classified as held for sale	12	**321,753**	—
Total current assets		**2,203,858**	1,293,125
TOTAL ASSETS		**3,192,897**	1,431,876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital: nominal value	28	2,219,647	854,960
Other statutory capital reserves	28	—	202,613
Share capital and other statutory capital reserves		2,219,647	1,057,573
Equity component of convertible bonds	32	11,658	31,971
Other reserves	30(a)(i)	(177,636)	(168,219)
		2,053,669	921,325
Non-controlling interests		7,223	7,737
TOTAL EQUITY		2,060,892	929,062
Non-current liabilities:			
Trade payables	31	—	6,863
Convertible bonds	32	779,947	272,541
Deferred tax liabilities	33	60,463	—
Total non-current liabilities		840,410	279,404
Current liabilities:			
Trade payables	31	7,031	116,390
Amounts due to contract customers	24	—	1,585
Other payables and accruals	34	49,443	98,591
Tax payables		16,420	6,844
		72,894	223,410
Liabilities directly associated with assets classified as held for sale	12	218,701	—
Total current liabilities		291,595	223,410
TOTAL LIABILITIES		1,132,005	502,814
TOTAL EQUITY AND LIABILITIES		3,192,897	1,431,876

E Meng
Director

Ke Jian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Notes	Attributable to shareholders of the Company										Non-controlling interests HK$'000	Total equity HK$'000
		Share capital HK$'000 (note 28)	Share premium account# HK$'000 (note 28)	Capital redemption reserve# HK$'000 (note 28)	Share option reserve HK$'000 (note 30(a)(iii))	Equity component of convertible bonds HK$'000 (note 32)	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 30(a)(iv))	Accu-mulated losses HK$'000	Total HK$'000		
At 1 January 2013		677,460	170,319	9,721	27,882	–	2,943	75,743	36,781	(301,048)	699,801	15,380	715,181
Loss for the year		–	–	–	–	–	–	–	–	(24,484)	(24,484)	(4,628)	(29,112)
Other comprehensive income/(loss) for the year:													
Exchange fluctuation reserve:													
Translation of foreign operations		–	–	–	–	–	–	15,927	–	–	15,927	1,888	17,815
Release upon disposal of a subsidiary	36	–	–	–	–	–	–	(706)	–	–	(706)	–	(706)
Share of other comprehensive loss of an associate		–	–	–	–	–	–	(1,028)	–	–	(1,028)	–	(1,028)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	14,193	–	(24,484)	(10,291)	(2,740)	(13,031)
Issue of new shares	28	177,000	23,010	–	–	–	–	–	–	–	200,010	–	200,010
Issue of shares upon exercise of share options	28, 29(c)	500	354	–	(229)	–	–	–	–	–	625	–	625
Share issue expense	28	–	(791)	–	–	–	–	–	–	–	(791)	–	(791)
Issue of convertible bonds	32	–	–	–	–	31,971	–	–	–	–	31,971	–	31,971
Disposal of a subsidiary	36	–	–	–	–	–	(1,065)	–	–	1,065	–	(4,903)	(4,903)
At 31 December 2013 and 1 January 2014		854,960	192,892	9,721	27,653*	31,971	1,878*	89,936*	36,781*	(324,467)*	921,325	7,737	929,062
Profit/(loss) for the year		–	–	–	–	–	–	–	–	7,519	7,519	(2,372)	5,147
Other comprehensive loss for the year:													
Exchange fluctuation reserve:													
Translation of foreign operations		–	–	–	–	–	–	(10,724)	–	–	(10,724)	(642)	(11,366)
Release upon deemed disposal of interests in an associate		–	–	–	–	–	–	(2,222)	–	–	(2,222)	–	(2,222)
Share of other comprehensive loss of an associate		–	–	–	–	–	–	(80)	–	–	(80)	–	(80)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(13,026)	–	7,519	(5,507)	(3,014)	(8,521)
Transition to no-par value regime	28	202,613	(192,892)	(9,721)	–	–	–	–	–	–	–	–	–
Conversion of convertible bonds	28, 32	329,119	–	–	–	(32,815)	–	–	–	–	296,304	–	296,304
Acquisition of subsidiaries	28, 35	818,920	–	–	–	–	–	–	–	–	818,920	–	818,920
Issue of shares upon exercise of share options	28, 29(c)	14,035	–	–	(3,910)	–	–	–	–	–	10,125	–	10,125
Issue of convertible bonds	32	–	–	–	–	12,502	–	–	–	–	12,502	–	12,502
Deemed disposal of interests in an associate		–	–	–	–	–	(1,757)	–	–	1,757	–	–	–
Capital contribution from a non-controlling interest		–	–	–	–	–	–	–	–	–	–	2,500	2,500
Transfer to PRC reserve funds		–	–	–	–	–	–	20	1,491	(1,511)	–	–	–
At 31 December 2014		2,219,647	–	–	23,743*	11,658	121*	76,930*	38,272*	(316,702)*	2,053,669	7,223	2,060,892

Included in "Other statutory capital reserves" in the consolidated statement of financial position.

* These reserve accounts comprise the consolidated negative other reserves of HK$177,636,000 (2013: negative other reserves of HK$168,219,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		8,934	(21,703)
From a discontinued operation		(2,251)	(7,449)
Adjustments for:			
Gain on disposal of a subsidiary	36	—	(1,535)
Gain on deemed disposal of interests in an associate	12(a)	(22,878)	—
Share of profits and losses of joint ventures	4	(1,565)	286
Share of profits and losses of associates	4	999	(2,765)
Bank interest income	4	(13,726)	(12,369)
Imputed interest on interest-free trade receivables with extended credit periods		(234)	(1,825)
Finance costs	4	4,664	8,117
Depreciation	14	13,659	2,490
Fair value loss/(gain) on investment properties	6, 15	185	(176)
Amortisation of prepaid land lease payments	6, 16	387	—
Amortisation of operating concession	6, 18	11,497	—
Amortisation of other intangible assets	19	4,125	832
Fair value loss on equity investments at fair value through profit or loss	4, 12(a)	16,301	—
Loss on disposal of equity investments at fair value through profit or loss	4, 12(a)	3,249	—
Impairment of an amount due from an associate	6, 22(b)	30	31
Impairment of trade receivables, net	25(b)	1,604	641
Impairment/(reversal of impairment) of other receivables, net	26(b)	(511)	5,186
Loss on disposal of items of property, plant and equipment, net		254	174
		24,723	(30,065)
Increase in inventories		(11,423)	(1,336)
Decrease/(increase) in amounts due from contract customers		900	(387)
Decrease in trade receivables		3,194	17,285
Increase in prepayments, deposits and other receivables		(141,337)	(5,635)
Increase/(decrease) in trade and bills payables		(9,440)	28,285
Decrease in amounts due to contract customers		(707)	(5,863)
Increase/(decrease) in other payables and accruals		10,669	(5,313)
Decrease in deferred income		—	(259)
Cash used in operations		(123,421)	(3,288)
PRC corporate income tax refunded/(paid)		(135)	40
Net cash flows used in operating activities		(123,556)	(3,248)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	(17,213)	(2,092)
Proceeds from disposal of items of property, plant and equipment		186	131
Addition of operating concession	18	(516)	—
Purchases of other intangible assets	19	(27)	(630)
Investment in a joint venture		(6,000)	—
Acquisition of subsidiaries	35	(60,937)	—
Disposal of a subsidiary	36	—	(48,052)
Proceeds from disposal of equity investments at fair value through profit or loss		22,909	—
Proceeds from disposal of a joint venture		—	47,595
Increase in an amount due from an associate		(30)	(31)
Decrease/(increase) in time deposits with maturity of more than three months when acquired		(13,839)	39,993
Decrease in pledged deposits		2,815	2,801
Interest received		13,726	12,369
Net cash flows from/(used in) investing activities		(58,926)	52,084
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	—	200,010
Proceeds from issue of shares upon exercise of share options	29(c)	10,125	625
Share issue expense	28	—	(791)
Proceeds from issue of convertible bonds	32	813,600	300,580
Transaction costs on issue of convertible bonds		—	(1,189)
Interest paid		(1,564)	(2,528)
Capital contribution from a non-controlling interest		2,500	—
Net cash flows from financing activities		824,661	496,707
NET INCREASE IN CASH AND CASH EQUIVALENTS		642,179	545,543
Cash and cash equivalents at beginning of year		1,115,016	551,748
Effect of foreign exchange rate changes, net		(9,956)	17,725
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,747,239	1,115,016
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits		1,208,660	218,543
Time deposits		610,223	958,647
Less: Pledged deposits		(305)	(3,200)
Cash and cash equivalents as stated in the consolidated statement of financial position	27	1,818,578	1,173,990
Less: Time deposits with maturity of more than three months when acquired		(71,339)	(58,974)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,747,239	1,115,016

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets:			
Property and equipment	14	1,551	879
Other intangible assets	19	344	719
Investments in subsidiaries	20	1,557,783	189,252
Prepayment	26	32,000	32,821
Total non-current assets		1,591,678	223,671
Current assets:			
Prepayments, deposits and other receivables	26	149,774	39,225
Cash and cash equivalents	27	1,178,346	995,182
Total current assets		1,328,120	1,034,407
TOTAL ASSETS		2,919,798	1,258,078
EQUITY AND LIABILITIES			
Equity:			
Share capital: nominal value	28	2,219,647	854,960
Other statutory capital reserves		—	202,613
Share capital and other statutory capital reserves		2,219,647	1,057,573
Equity component of convertible bonds	32	11,658	31,971
Other reserves	30(b)	(209,560)	(221,667)
TOTAL EQUITY		2,021,745	867,877
Non-current liabilities:			
Convertible bonds	32	779,947	272,541
Current liabilities:			
Other payables and accruals	34	118,106	117,660
TOTAL LIABILITIES		898,053	390,201
TOTAL EQUITY AND LIABILITIES		2,919,798	1,258,078

E Meng
Director

Ke Jian
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. Corporate Information

Beijing Development (Hong Kong) Limited (the "Company") is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in (a) the solid waste treatment business which comprises the construction and operation of waste incineration plants, waste treatment and the sales of electricity and steam generated from waste incineration; and (b) the information technology ("IT") business which comprises the provision of IT related services, which included system integration, the construction of information networks and sale of related equipment, the provision of IT technical support and consultation services and the development and sale of software (classified as a discontinued operation during the year, note 12).

At 31 December 2014, the immediate holding company of the Company is Idata Finance Trading Limited ("Idata"), a limited liability company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company of the Company is 北京控股集團有限公司 ("BEGCL"), which is a state-owned enterprise established in the People's Republic of China (the "PRC") and is wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC").

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 (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties and equity investments at fair value through profit or loss which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. 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 *(CONTINUED)*

31 December 2014

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 the statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the statement of profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

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

[1] Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

(a) 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 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 amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

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

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.2 Changes in Accounting Policies and Disclosures *(continued)*

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

2.3 New and Revised HKFRSs and New Disclosure Requirements under the Hong Kong Companies Ordinance not yet Adopted

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.3 New and Revised HKFRSs and New Disclosure Requirements under the Hong Kong Companies Ordinance not yet Adopted *(continued)*

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

(a) The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

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

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

(d) The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.3 New and Revised HKFRSs and New Disclosure Requirements under the Hong Kong Companies Ordinance not yet Adopted *(continued)*

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement

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

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

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

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

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

Level 2 — based on valuation techniques 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Business combinations and goodwill

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

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 the statement of 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 the statement of 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 the statement of profit or loss as a gain on bargain purchase.

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

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment 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 "disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset 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:

Buildings	3.8%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	4.75% to 19%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	9.5% to 19%

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.

Investment properties

Investment properties are interests in land and buildings (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 fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Disposal groups held for sale

Disposal groups 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 disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Disposal groups (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 disposal. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Operating leases

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 lessee, rentals payable under the operating leases, net of any incentives received from the lessor, 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 amortised on the straight-line basis over the lease terms.

Service concession arrangements

Concession arrangements are recognised in accordance with HK(IFRIC)-Int 12 *Services Concession Arrangements*.

HK(IFRIC)-Int 12 is applicable to concession arrangements comprising a public service obligation and satisfying all of the following criteria:

- The concession grantor controls or regulates the services to be provided by the operator using the asset, the infrastructure, the beneficiaries of the services and the prices applied; and

- The grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

The accounting for service concession arrangements is as follows:

Consideration given by the grantor

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Service concession arrangements *(continued)*

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the solid waste incineration plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the solid waste incineration plants, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

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 the principal annual rates used for this purpose are as follows:

Operating concession	4.3%
Operating right	4.1%
Management information systems	10%
Patents and licences	4% to 20%
Computer software	10% to 20%
Golf club membership	20%

The Group entered into service concession agreements with government authorities and obtained the rights to operate solid waste incineration plants in the PRC. Where the service concession arrangement is on a Build-Operate-Transfer ("BOT") basis, HK(IFRIC)-Int 12 applies and the non-guarantee receipt right to receive cash is accounted for as a "operating concession". Where the service concession arrangement is on a Build-Operate-Own ("BOO") basis, HK(IFRIC)-Int 12 does not apply and the fair value of the non-guarantee receipt right to receive cash acquired in a business combination is accounted for as a "operating right". Amortisation of "operating concession" and "operating right" is provided on the straight-line basis over the respective periods of the operating concessions granted to the respective subsidiaries of the Group.

Intangible assets with finite lives are subsequently 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.

An intangible asset is derecognised on disposal or when no further 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 period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in "Other operating expenses, net" in the period in which it arises.

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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate, which are recognised initially 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 the statement of 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:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designed 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. Derivates, including separated embedded derivates, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss (continued)

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.

Derivates embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivates are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modified the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 "Other income and gains, net" in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in "Other operating expenses, net".

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

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.

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).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Impairment of financial assets *(continued)*

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 operating expenses, net" in the statement of profit or loss.

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.

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 risks 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as loans and borrowings, which are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

After initial recognition, 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

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

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.

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component (conversion option).

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 non-current liability or a current liability, as appropriate, on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) 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. In respect of the convertible bonds issued by the Company, the equity component is included in the Company's convertible bond equity reserve. 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 initially recognised.

Before the Hong Kong Companies Ordinance (Cap. 622) effective on 3 March 2014, upon the exercise of the conversion option, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the shares issued is recorded in the share premium account. After the Hong Kong Companies Ordinance (Cap. 622) effective on 3 March 2014, upon the exercise of the conversion option, the resulting shares issued are recorded by the Company as additional share capital.

When convertible bonds are redeemed, the carrying amount of the equity component is transferred to retained profits as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in the statement of profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits as a movement in reserves. No gain or loss is recognised in the statement of profit or loss upon conversion or expiration of the conversion option.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 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 includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

System integration contracts

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

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

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.

Software development contracts

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

Revenue from fixed price software development contracts 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.

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 cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Provisions

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

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

Income tax

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

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

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:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

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

(b) from the provision of waste treatment services, revenue is recognised when the service is rendered and it is probable that the economic benefits will flow to the Group;

(c) from system integration contracts, on the percentage of completion basis, as further explained in the accounting policy for "System integration contracts" above;

(d) from maintenance contracts, on a time proportion basis over the contract terms;

(e) from the software development, on the percentage of completion basis, as further explained in the accounting policy for "Software development contracts" above; and

(f) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Employee benefits

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 is measured by reference to the fair value at the date at which they are granted. The fair values are determined by external valuers using the Black-Scholes-Merton option pricing model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, 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.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

Pension schemes

Certain companies within the Group have participated in a number of defined contribution retirement benefit schemes required by the respective local governments in which they operate for their employees. Contributions are made based on a certain percentage of the covered payroll and are charged to the statement of profit or loss as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the schemes.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

2.4 Summary of Significant Accounting Policies *(continued)*

Borrowing costs

All 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.

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 and Mainland China subsidiaries, joint venture and associates 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 exchange fluctuation reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas and Mainland China subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas and Mainland China 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 *(CONTINUED)*

31 December 2014

3. 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 revenues, 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.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Provision for major overhaul of solid waste incineration plant to a specified level of serviceability

The Group has contractual obligations under BOT arrangement which it must fulfil as a condition of its license and the obligations require the Group (i) to maintain the solid waste incineration plant it operates to a specified level of serviceability; and (ii) to restore the plant to a specified condition before it is handed over to the grantor at the end of the service concession period. These contractual obligations to maintain or restore infrastructure, except for any upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The estimation of the expenditure requires the Group to estimate the expected future cash outlays on major overhauls of the facilities over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives of the Group's property, plant and equipment and intangible assets and therefore depreciation/amortisation in the future periods.

Impairment of property, plant and equipment and intangible assets (other than goodwill)

The carrying amounts of items of property, plant and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows or compensation to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation of fair value of investment properties

The Group's investment properties were vacant during the reporting period and may be subject to demolishment in the near future. Management revalues the investment properties at the end of each reporting period in accordance with the relevant rules and regulations applicable to the demolishment. Further details, including the key assumptions used for fair value measurement, are given in note 15 to the financial statements.

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 or fair value less costs of disposal 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. For the Group's service concession arrangements, assumption is also made on the possibility of renewal of the relevant operating rights upon expiry which enables the Group to generate income perpetually. The carrying amount of goodwill carried as assets in the consolidated statement of financial position as at 31 December 2014 was HK$160,161,000 (2013: Nil), details of which are set out in note 17 to the financial statements.

Provision against obsolete and slow-moving inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation by the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

Provision for impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Percentage of completion of system integration and software development contracts

The Group recognises revenue according to the percentage of completion of the individual contract of system integration and software development. The Group's management estimates the percentage of completion of system integration and software development contracts based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activities undertaken in system integration and software development contracts, the date at which an activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each system integration and software development contract as the contract progresses.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

3. Significant Accounting Judgements and Estimates *(continued)*

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and overseas jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

4. Operating Segment Information

During the year ended 31 December 2013, over 90% of the Group's revenue, expenses and assets are generated from the provision of IT related services in Mainland China, which was classified as a discontinued operation during the current year (note 12). The management of the Group made decisions about resources allocation and assessed performance of the Group based on the operating results from the business activities of the IT related services. Accordingly, the directors are of the opinion that IT related services in Mainland China was a single reportable operating segment of the Group for the year ended 31 December 2013.

During the year ended 31 December 2014, upon the acquisition of the entire equity interests in KCS Taian Investments Company Limited ("KCS Taian") and KCS Changde Investments Company Limited ("KCS Changde"), further details of which are set out in note 35 to the financial statements, the Group commenced the solid waste treatment business.

Since then, for management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

(a) the solid waste treatment segment comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity and steam generated from waste incineration.

(b) the IT segment comprises the sale of IT related products, the provision of system integration and maintenance services and software development (classified as a discontinued operation during the year, note 12).

(c) the corporate and others segment comprises property investment and corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) for the period attributable to shareholders of the Company, which is a measure of adjusted profit/(loss) for the period attributable to shareholders of the Company from continuing operations. The adjusted profit/(loss) for the period attributable to shareholders of the Company from continuing operations is measured consistently with the Group's profit/(loss) attributable to shareholders of the Company from continuing operations.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

4. Operating Segment Information *(continued)*

Segment assets and liabilities of each of the reportable operating segments are separately managed by each of the individual operating segments.

The following tables present revenue, profit/(loss), total assets and total liabilities regarding the Group's operating segments for the years ended 31 December 2014 and 2013.

Group

	Continuing operations			Discontinued operation	
	Solid waste treatment HK$'000	Corporate and others HK$'000	Total HK$'000	IT HK$'000	Total HK$'000
Year ended 31 December 2014					
Segment revenue	108,516	—	108,516	239,994	348,510
Cost of sales	(75,091)	—	(75,091)	(203,145)	(278,236)
Gross profit	33,425	—	33,425	36,849	70,274
Profit/(loss) from operating activities	26,436	(13,236)	13,200	(2,419)	10,781
Finance costs	—	(4,233)	(4,233)	(431)	(4,664)
Share of profits and losses of:					
Joint ventures	(33)	—	(33)	1,598	1,565
Associates	—	—	—	(999)	(999)
Profit/(loss) before tax	26,403	(17,469)	8,934	(2,251)	6,683
Income tax	(1,401)	—	(1,401)	(135)	(1,536)
Profit/(loss) for the year	25,002	(17,469)	7,533	(2,386)	5,147
Segment profit/(loss) attributable to shareholders of the Company	25,009	(17,328)	7,681	(162)	7,519
Segment assets	1,609,559	1,261,585	2,871,144	321,753	3,192,897
Segment liabilities	105,169	808,135	913,304	218,701	1,132,005

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

4. Operating Segment Information *(continued)*

Group *(Continued)*

	Continuing operations			Discontinued operation	
	Solid waste treatment HK$'000	Corporate and others HK$'000	Total HK$'000	IT HK$'000	Total HK$'000
Year ended 31 December 2014					
Other segment information:					
Bank interest income	1,930	9,483	11,413	2,313	13,726
Gain on deemed disposal of interests in an associate	—	—	—	22,878	22,878
Fair value loss on equity investments at fair value through profit or loss	—	—	—	16,301	16,301
Loss on disposal of equity investments at fair value through profit or loss	—	—	—	3,249	3,249
Impairment of segment assets, net	—	30	30	1,093	1,123
Finance costs	—	4,233	4,233	431	4,664
Depreciation	11,417	456	11,873	1,786	13,659
Amortisation of prepaid land lease payments	387	—	387	—	387
Amortisation of operating concession	11,497	—	11,497	—	11,497
Amortisation of other intangible assets	3,206	375	3,581	544	4,125
Investments in joint ventures	5,967	—	5,967	12,639	18,606
Investments in associates	—	—	—	2,952	2,952
Capital expenditure*	769,035	1,227	770,262	740	771,002
Year ended 31 December 2013					
Segment revenue	—	—	—	193,067	193,067
Cost of sales	—	—	—	(156,173)	(156,173)
Gross profit	—	—	—	36,894	36,894
Loss from operating activities	—	(14,054)	(14,054)	(9,460)	(23,514)
Finance costs	—	(7,649)	(7,649)	(468)	(8,117)
Share of profits and losses of:					
A joint venture	—	—	—	(286)	(286)
Associates	—	—	—	2,765	2,765
Loss before tax	—	(21,703)	(21,703)	(7,449)	(29,152)
Income tax	—	40	40	—	40
Loss for the year	—	(21,663)	(21,663)	(7,449)	(29,112)
Segment loss attributable to shareholders of the Company	—	(21,521)	(21,521)	(2,963)	(24,484)
Segment assets	—	1,080,861	1,080,861	351,015	1,431,876
Segment liabilities	—	(299,396)	(299,396)	(203,418)	(502,814)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

4. Operating Segment Information *(continued)*

Group *(Continued)*

	Continuing operations			Discontinued operation	
	Solid waste treatment HK$'000	Corporate and others HK$'000	Total HK$'000	IT HK$'000	Total HK$'000
Year ended 31 December 2013					
Other segment information:					
Bank interest income	—	9,709	9,709	2,660	12,369
Gain on disposal of a subsidiary	—	—	—	1,535	1,535
Impairment of segment assets, net	—	1,954	1,954	3,904	5,858
Finance costs	—	7,649	7,649	468	8,117
Depreciation	—	295	295	2,195	2,490
Amortisation of other intangible assets	—	375	375	457	832
Investment in a joint venture	—	—	—	11,986	11,986
Investments in associates	—	—	—	25,910	25,910
Capital expenditure*	—	219	219	2,503	2,722

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, operating concession and other intangible assets (including assets from the acquisition of subsidiaries).

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets (other than financial assets) of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

4. Operating Segment Information *(continued)*

Information about major customers

During the year, the Group had transactions with three external customers (2013: Nil) which individually contributed to over 10% of the Group's total revenue from continuing operations. The revenue from continuing operations generated from sales to each of these customers is set out below:

	Group	
	2014 HK$'000	2013 HK$'000 (Restated)
Customer A	**44,996**	—
Customer B	**32,903**	—
Customer C	**14,670**	—

5. Revenue, Other Income and Gains, Net

Revenue, which is also the Group's turnover, represents income from solid waste treatment, sales of electricity, steam and goods, net of value-added tax and government surcharges.

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

		Group	
	Note	**2014 HK$'000**	2013 HK$'000 (Restated)
Revenue			
Solid waste treatment		**29,254**	—
Sale of electricity		**77,899**	—
Sale of steam		**1,363**	—
		108,516	—
Other income			
Bank interest income		**11,413**	9,709
Others		**149**	48
		11,562	9,757
Gains, net			
Fair value gain on investment properties	15	**—**	176
Foreign exchange differences, net		**242**	270
		242	446
Other income and gains, net		**11,804**	10,203

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

6. Profit/(Loss) from Operating Activities of Continuing Operations

The Group's profit/(loss) from operating activities of continuing operations is arrived at after charging/(crediting):

		Group	
	Notes	**2014** **HK$'000**	2013 HK$'000 (Restated)
Cost of raw materials consumed		**31,659**	—
Cost of waste treatment services rendered		**18,203**	—
Depreciation[Ω]		**11,873**	295
Minimum lease payments under operating leases of land and buildings		**2,945**	2,507
Fair value loss/(gain) on investment properties	15	**185**	(176)
Amortisation of prepaid land lease payments*	16	**387**	—
Amortisation of operating concession*	18	**11,497**	—
Amortisation of other intangible assets*		**3,581**	375
Impairment of an amount due from an associate[#]	22(b)	**30**	31
Impairment of other receivables, net[#]	26(b)	**—**	1,923
Loss on disposal of items of property and equipment, net[#]		**44**	2
Auditors' remuneration		**2,180**	2,060
Employee benefit expense (including directors' remuneration — note 8):			
Wages and salaries		**16,419**	6,458
Pension scheme contributions		**1,384**	294
		17,803	6,752

* The amortisation of prepaid land lease payments, operating concession and other intangible assets, except computer software and golf club membership, are included in "Cost of Sales" in the consolidated statement of profit or loss.

Ω Depreciation amount of HK$10,139,000 is included in "Cost of sales" in the consolidated statement of profit or loss.

\# These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

7. Finance Costs

An analysis of finance costs from continuing operations is as follows:

	Note	Group 2014 HK$'000	2013 HK$'000 (Restated)
Interest on convertible bonds		1,621	2,528
Imputed interest on convertible bonds	32	2,612	5,121
		4,233	7,649

8. Directors' Remuneration

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

	Group 2014 HK$'000	2013 HK$'000
Fees	1,461	1,221
Other emoluments:		
Salaries, allowances and benefits in kind	1,037	1,136
Pension scheme contributions	72	100
	1,109	1,236
	2,570	2,457

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

8. Directors' Remuneration *(continued)*

An analysis of directors' remuneration for the year is as follows:

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014				
Executive directors				
Mr. E Meng	130	—	—	130
Mr. Zhang Honghai	120	—	—	120
Mr. Ke Jian	120	—	—	120
Mr. Wang Yong^	79	1,037	70	1,186
Ms. Sha Ning	120	—	—	120
Ms. Qin Xuemin	120	—	—	120
Mr. Ng Kong Fat, Brian	120	—	2	122
	809	1,037	72	1,918
Independent non-executive directors				
Dr. Jin Lizuo	150	—	—	150
Dr. Huan Guocang	150	—	—	150
Dr. Wang Jianping	150	—	—	150
Prof. Nie Yongfeng+	150	—	—	150
Mr. Cheung Ming&	52	—	—	52
	652	—	—	652
Total	1,461	1,037	72	2,570

^ Resigned on 28 August 2014

\+ Appointed on 1 January 2014

& Appointed on 28 August 2014

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

8. Directors' Remuneration *(continued)*

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013				
Executive directors				
Mr. E Meng	130	—	—	130
Mr. Zhang Honghai	120	—	—	120
Mr. Ke Jian*	41	—	—	41
Mr. Wang Yong	120	1,136	99	1,355
Mr. Yan Qing#	79	—	—	79
Ms. Sha Ning	120	—	—	120
Ms. Qin Xuemin*	41	—	—	41
Mr. Ng Kong Fat, Brian	120	—	1	121
	771	1,136	100	2,007
Independent non-executive directors				
Dr. Jin Lizuo	150	—	—	150
Dr. Huan Guocang	150	—	—	150
Dr. Wang Jianping	150	—	—	150
	450	—	—	450
Total	1,221	1,136	100	2,457

* Appointed on 29 August 2013
\# Resigned on 29 August 2013

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

9. Five Highest Paid Employees

The five highest paid employees during the year included one (2013: one) director, details of his remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2013: four) non-director, highest paid employees for the year are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,153**	2,747
Pension scheme contributions	**326**	317
	3,479	3,064

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

	Group	
	2014	2013
Nil — HK$1,000,000	**3**	3
HK$1,000,001 — HK$1,500,000	**1**	1
	4	4

10. Income Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2014	2013
	HK$'000	HK$'000
Current — Mainland China		
Charge for the year	**3,050**	—
Overprovision in prior years	**—**	(40)
	3,050	(40)
Deferred — Mainland China (note 33)	**(1,649)**	—
Total tax expense/(credit) for the year	**1,401**	(40)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

10. Income Tax *(continued)*

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

	Group	
	2014	2013
	HK$'000	HK$'000 (Restated)
Profit/(loss) before tax from continuing operations	**8,934**	(21,703)
Tax at the statutory tax rates	**2,325**	(3,633)
Effect of withholding tax on interest income from intercompany loans	**1,267**	—
Tax concession enjoyed	**(1,783)**	—
Loss attributable to a joint venture	**5**	—
Income not subject to tax	**(2,488)**	(575)
Expenses not deductible for tax	**5,085**	4,473
Tax losses utilised from previous periods	**(3,049)**	—
Adjustments in respect of current tax of previous periods	**—**	(40)
Others	**39**	(265)
Tax expense/(credit) at the Group's effective rate	**1,401**	(40)

In accordance with the relevant tax laws of the PRC, two subsidiaries of the Group which are engaged in the solid waste treatment business are exempted from corporate income tax for three years starting from the first year they generated revenue and to be followed by a 50% tax reduction for the ensuing three years.

11. Profit/(Loss) for the Year Attributable to Shareholders of the Company

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2014 includes a loss of HK$27,755,000 (2013: a loss of HK$12,144,000) which has been dealt with in the financial statements of the Company.

A reconciliation of the above amount to the Company's loss for the year is as follows:

	Notes	**2014 HK$'000**	2013 HK$'000
Amount of consolidated loss for the year attributable to shareholders of the Company dealt with in the financial statements of the Company		**(27,755)**	(12,144)
Reversal of impairment/(impairment) of unlisted shares or investment in subsidiaries recognised in the statement of profit or loss during the year	20(b)	**33,642**	(11)
Reversal of impairment of amounts due from subsidiaries recognised in the statement of profit or loss during the year	20(c)	**10,130**	209
The Company's profit/(loss) for the year	30(b)	**16,017**	(11,946)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

12. Discontinued Operation

The Group plans to focus its resources on its solid waste treatment business and has decided to cease its IT business during the year. The Group's business in the IT segment was mainly undertaken by the subsidiaries of Business Net (Hong Kong) Limited ("BNHK") and B E Information Technology Group Limited ("BEITG"), both are indirectly-owned subsidiaries of the Company.

On 9 October 2014, Business Net Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party for the disposal of its 60% equity interest in BNHK and its subsidiary (collectively, the "BNHK Group") and the shareholder's loan owed by BNHK to the Group at a total consideration of HK$13,000,000. The disposal of BNHK is expected to be completed in 2015.

On 23 December 2014, Prime Technology Group Limited ("PTG"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with a fellow subsidiary, Beijing Enterprises Group Information Limited ("BEGIL", a wholly-owned subsidiary of BEGCL), pursuant to which PTG conditionally agreed to dispose of its 72% equity interest in BEITG and its subsidiaries (collectively, the "BEITG Group") and the shareholders' loans owed by the BEITG Group to the Group at a total consideration of HK$126,000,000. Subject to the approval of the independent shareholders of the Company, the disposal of BEITG is expected to be completed in 2015.

At 31 December 2014, the BNHK Group and the BEITG Group were classified as disposal groups held for sale and the IT segment was classified as a discontinued operation.

(a) The results of a discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2014 and 2013 are summarised as follows:

	2014	2013
	HK$'000	HK$'000
Revenue	**239,994**	193,067
Other income and gains, net	**3,868**	6,110
Gain on disposal of a subsidiary	**—**	1,535
Gain on deemed disposal of interests in an associate#	**22,878**	—
Fair value loss on equity investments at fair value through profit or loss	**(16,301)**	—
Loss on disposal of equity investment at fair value through profit or loss	**(3,249)**	—
Cost of sales and operating expenses	**(250,040)**	(210,640)
	(2,850)	(9,928)
Share of profits and losses of		
A joint venture	**1,598**	(286)
Associates	**(999)**	2,765
Loss before tax from a discontinued operation	**(2,251)**	(7,449)
Income tax	**(135)**	—
Loss for the year from a discontinued operation	**(2,386)**	(7,449)
Attributable to:		
Shareholders of the Company	**(162)**	(2,963)
Non-controlling interests	**(2,224)**	(4,486)
	(2,386)	(7,449)

The gain on deemed disposal of interests in China Information Technology Development Limited ("CITD", an associate of the Group) was recognised as a result of the dilution of the Group's equity interests in CITD from approximately 21.1% to 7.03% following the issuance of 1,796,981,272 new ordinary shares by CITD upon the completion of an open offer during the year.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

12. Discontinued Operation *(continued)*

(b) The major classes of assets and liabilities of the disposal groups classified as held for sale as at the end of reporting period are as follows:

	Notes	2014 HK$'000	2013 HK$'000
Assets			
Property and equipment	14	7,282	—
Other intangible assets	19	1,547	—
Investment in a joint venture	21(c)(ii)	12,639	—
Investments in associates	22(d)	2,952	—
Inventories		23,497	—
Amounts due from contract customers		398	—
Trade receivables		74,450	—
Prepayments, deposits and other receivables		72,572	—
Pledged deposits		305	—
Cash and cash equivalents	27	126,111	—
Assets of disposal groups classified as held for sale		321,753	—
Liabilities			
Trade and bills payables		111,510	—
Amounts due to contract customers		839	—
Other payables and accruals		106,352	—
Liabilities directly associated with assets classified as held for sale		218,701	—
Net assets directly associated with disposal groups classified as held for sale		103,052	—

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

12. Discontinued Operation *(continued)*

(c) The net cash flows of a discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2014 and 2013 are as follows:

	2014 HK$'000	2013 HK$'000
Operating activities	(51,106)	19,160
Investing activities	9,124	(36,856)
Net cash outflow attributable to a discontinued operation	(41,982)	(17,696)

(d) Loss per share from a discontinued operation

	2014 HK cents	2013 HK cents
Basic and diluted	0.01	0.36

The calculation of the basic loss per share amounts from a discontinued operation is based on the loss for the year from a discontinued operation attributable to shareholders of the Company of HK$162,000 (2013: HK$2,963,000), and the weighted average number of 1,290,298,232 (2013: 826,447,821) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts from a discontinued operation presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options and convertible bonds outstanding during these years have either no dilutive effect or an anti-dilutive effect on the basic loss per share amounts from a discontinued operation presented.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

13. Earnings/(Loss) per Share Attributable to Shareholders of the Company

The calculations of the basic earnings/(loss) per share amounts are based on the profit/(loss) for the year attributable to shareholders of the Company and the profit/(loss) from continuing operations attributable to shareholders of the Company, and the weighted average of 1,290,298,232 (2013: 826,447,821) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2014 is based on the profit for the year attributable to shareholders of the Company and the profit from continuing operations attributable to shareholders of the Company, adjusted to reflect the effect of the exercise of all dilutive share options at the beginning of the year. No adjustment has been made to the deemed conversion of convertible bonds as the impact of the convertible bonds outstanding during the year has an anti-dilutive effect on the basic earnings per share amount presented.

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

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the following data:

	2014 HK$'000	2013 HK$'000
Earnings/(loss)		
(i) For profit/(loss) for the year:		
Profit/(loss) for the year attributable to shareholders of the Company, used in the basic and diluted earnings/(loss) per share calculations	7,519	(24,484)
(ii) For profit/(loss) for the year from continuing operations:		
Profit/(loss) for the year from continuing operations attributable to shareholders of the Company, used in the basic and diluted earnings/(loss) per share calculations	7,681	(21,521)

	2014	2013
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings/(loss) per share calculations	1,290,298,232	826,447,821
Effect of dilution of share options — weighted average number of ordinary shares	22,627,440	—
Weighted average number of ordinary shares, used in the diluted earnings/(loss) per share calculations	1,312,925,672	826,447,821

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

14. Property, Plant and Equipment

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2014						
At 31 December 2013 and 1 January 2014:						
Cost	—	4,396	—	29,454	6,586	40,436
Accumulated depreciation	—	(2,403)	—	(23,118)	(5,168)	(30,689)
Net carrying amount	—	1,993	—	6,336	1,418	9,747
Net carrying amount:						
At 1 January 2014	—	1,993	—	6,336	1,418	9,747
Additions	10,330	—	4,015	641	2,227	17,213
Acquisition of subsidiaries (note 35)	71,535	—	151,111	5	540	223,191
Assets included in assets of disposal groups classified as held for sale (note 12)	—	(1,272)	—	(4,633)	(1,377)	(7,282)
Depreciation provided during the year	(4,905)	(589)	(6,441)	(1,259)	(465)	(13,659)
Disposals	—	—	—	(285)	(155)	(440)
Exchange realignment	(67)	(37)	30	(144)	(56)	(274)
At 31 December 2014	76,893	95	148,715	661	2,132	228,496
At 31 December 2014:						
Cost	81,736	631	155,075	1,295	2,662	241,399
Accumulated depreciation	(4,843)	(536)	(6,360)	(634)	(530)	(12,903)
Net carrying amount	76,893	95	148,715	661	2,132	228,496

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

14. Property, Plant and Equipment *(continued)*

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2013						
At 1 January 2013:						
Cost	—	5,160	—	30,670	8,183	44,013
Accumulated depreciation	—	(2,973)	—	(23,021)	(5,487)	(31,481)
Net carrying amount	—	2,187	—	7,649	2,696	12,532
Net carrying amount:						
At 1 January 2013	—	2,187	—	7,649	2,696	12,532
Additions	—	286	—	1,806	—	2,092
Depreciation provided during the year	—	(549)	—	(1,640)	(301)	(2,490)
Disposals	—	—	—	(305)	—	(305)
Disposal of a subsidiary (note 36)	—	—	—	(1,444)	(1,064)	(2,508)
Exchange realignment	—	69	—	270	87	426
At 31 December 2013	—	1,993	—	6,336	1,418	9,747
At 31 December 2013:						
Cost	—	4,396	—	29,454	6,586	40,436
Accumulated depreciation	—	(2,403)	—	(23,118)	(5,168)	(30,689)
Net carrying amount	—	1,993	—	6,336	1,418	9,747

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

14. Property, Plant and Equipment *(continued)*

Company

	Leasehold improve-ments HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2014				
At 31 December 2013 and 1 January 2014:				
Cost	**630**	**757**	**789**	**2,176**
Accumulated depreciation	**(409)**	**(392)**	**(496)**	**(1,297)**
Net carrying amount	**221**	**365**	**293**	**879**
Net carrying amount:				
At 1 January 2014	**221**	**365**	**293**	**879**
Additions	**—**	**146**	**1,081**	**1,227**
Depreciation provided during the year	**(126)**	**(120)**	**(209)**	**(455)**
Disposals	**—**	**—**	**(76)**	**(76)**
Exchange realignment	**—**	**(7)**	**(17)**	**(24)**
At 31 December 2014	**95**	**384**	**1,072**	**1,551**
At 31 December 2014:				
Cost	**630**	**895**	**1,595**	**3,120**
Accumulated depreciation	**(535)**	**(511)**	**(523)**	**(1,569)**
Net carrying amount	**95**	**384**	**1,072**	**1,551**
Year ended 31 December 2013				
At 1 January 2013:				
Cost	630	602	741	1,973
Accumulated depreciation	(283)	(433)	(318)	(1,034)
Net carrying amount	347	169	423	939
Net carrying amount:				
At 1 January 2013	347	169	423	939
Additions	—	221	—	221
Depreciation provided during the year	(126)	(25)	(145)	(296)
Disposals	—	(4)	—	(4)
Exchange realignment	—	4	15	19
At 31 December 2013	221	365	293	879
At 31 December 2013:				
Cost	630	757	789	2,176
Accumulated depreciation	(409)	(392)	(496)	(1,297)
Net carrying amount	221	365	293	879

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

15. Investment Properties

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**47,752**	45,812
Fair value gain/(loss) on revaluation (note 6)	**(185)**	176
Exchange realignment	**(1,191)**	1,764
Carrying amount at 31 December	**46,376**	47,752

Details of the investment properties, which are held under medium term leases, are as follows:

Location	**Use**	**Attributable interest of the Group**
Part of the second floor and the entire third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, the PRC	Office building	85.5%

As the investment properties are situated in a location under a proposed redevelopment plan of the Beijing Municipal Government, the investment properties may be subject to demolishment in the near future.

At 31 December 2014, the investment properties were vacant and were revalued based on valuation performed by 中和華(北京)資產評估有限公司, independent professionally qualified valuers registered in the PRC, in accordance with the relevant rules and regulations applicable to the demolishment in the PRC. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuation of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussion with the valuer on the valuation assumptions and valuation results annually when the valuation is performed for annual financial reporting purpose.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

15. Investment Properties *(continued)*

Under the valuation method in accordance with the relevant rules and regulations applicable to the demolishment in the PRC, fair value is estimated using assumption regarding the amount that currently would be required to compensate for the owner, which was measured at replacement cost. Principal assumptions include those related to land price and adjusted indices for plot ratio, original use of building and planned use of building.

The Group's investment properties are measured at fair value by applying the valuation approach as described above using inputs which are not based on observable market data (unobservable inputs) at the end of each reporting period and such measurement is classified as level 3 in the fair value hierarchy of HKFRS 13.

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.

Description of valuation technique used and key inputs to valuation on investment properties:

Class of property	Fair value at 31 December 2014	Valuation technique	Significant unobservable input(s)	Range of unobservable input(s)
Office building	HK$46,376,000	Relevant rules and regulations applicable to the demolishment in the PRC	Land price (per m^2) Building price (per m^2)	RMB9,000 to RMB10,500 RMB1,880

A significant increase/(decrease) in any of the above unobservable inputs in isolation would result in a significant increase/(decrease) in the fair value of the investment properties.

16. Prepaid Land Lease Payments

	Group 2014 HK$'000	2013 HK$'000
Carrying amount at 1 January	—	—
Acquisition of subsidiaries (note 35)	26,250	—
Amortisation provided during the year (note 6)	(387)	—
Exchange realignment	5	—
Carrying amount at 31 December	25,868	—

The leasehold land is situated in Mainland China and is held under a medium term lease.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

17. Goodwill

	Group	
	2014	2013
	HK$'000	HK$'000
Cost and net carrying amount:		
At 1 January	**—**	—
Acquisition of subsidiaries (note 35)	**160,161**	—
At 31 December	**160,161**	—

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisition of subsidiaries has been allocated to the relevant business units of the solid waste treatment segment of the Group for impairment testing.

The recoverable amount of the relevant business units in the solid waste treatment segment has been determined based on a value-in-use calculation using cash flow projections based on financial forecast approved by senior management covering the service concession periods and based on the assumption that sizes of the operations remain constant perpetually. The discount rate applied to the cash flow projections is 11.1%. The growth rate used to extrapolate the cash flows beyond the service concession periods is 2.5%.

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2014.

Assumptions were used in the value in use calculation of the relevant business units in the solid waste treatment segment for 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted turnover — It is based on the projected solid waste treatment volume and the latest solid waste treatment and electricity selling prices up to the date of the forecast.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Business environment — There have been no major changes in the existing political, legal and economic conditions in Mainland China. Under the service concession arrangements, the Group has been granted with priority for renewal of operating rights of its solid waste incineration plants. Given its performance record and its relationship with the grantors, the Group has key advantages over other operators. In addition, the high investment cost has also created an entry barrier for new competitors. Therefore, in the opinion of the directors, the operating rights of solid waste incineration plants shall be renewed upon expiry, and therefore the size of the solid waste treatment operation is expected to remain constant perpetually which enables the Group to generate income perpetually.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

18. Operating Concession

One of the subsidiaries newly acquired by the Group during the year has entered into a service concession arrangement with a governmental authority in Mainland China on a BOT basis in respect of the construction and operation of a solid waste incineration plant. The service concession arrangement involves the Group as an operator in (i) constructing the incineration plant (the "Facility") for that arrangement on a BOT basis; and (ii) operating and maintaining the Facility at a specified level of serviceability on behalf of the relevant governmental authority for a period of 27 years (the "Service Concession Period"), and the Group will be paid for its services over the Service Concession Period at prices stipulated through a pricing mechanism. The Group is generally entitled to use all the property, plant and equipment of the Facility, but the relevant governmental authority as grantor retains the beneficial entitlement to any residual interest in the Facility at the end of the term of the Service Concession Period. The service concession arrangement is governed by a contract and, where applicable, supplementary agreements entered into between the relevant subsidiary and the relevant governmental authority in Mainland China that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the Facility to a specified level of serviceability at the end of the Service Concession Period, and arrangements for arbitrating disputes.

Details of the major terms of the service concession arrangement are set out as follows:

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Maximum processing capacity m^3/day	Service concession period
常德中聯環保電力有限公司	Hunan	常德市環境衛生管理處	BOT	1,000	27 years from 2010 to 2037

Pursuant to the service concession agreement entered into by the Group, the Group is granted the rights to use the land and the property, plant and equipment of the Facility, which are generally registered under the name of the relevant subsidiary of the Group, during the Service Concession Period, but the Group is generally required to return the property, plant and equipment to the grantor at a specified level of serviceability at the end of the respective Service Concession Period under the BOT arrangement. At 31 December 2014, the Group was in the process of applying for the change of registration of the title certificates with respect to the land use right and the buildings of the Facility to which the Group's service concession arrangement relates. The directors of the Company are of the opinion that the Group is entitled to the lawful and valid occupation or use of these buildings and land and that the Group would not have any legal barriers in obtaining the title certificates.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

18. Operating Concession *(continued)*

As further explained in the accounting policy for "Service concession arrangements" set out in note 2.4 to the financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession). The movement of the cost of the operating concession during the year is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January		
Cost and net carrying amount	**—**	—
Net carrying amount:		
At 1 January	**—**	—
Acquisition of subsidiaries (note 35)	**397,396**	—
Addition	**516**	—
Amortisation provided during the year (note 6)	**(11,497)**	—
Exchange realignment	**143**	—
At 31 December	**386,558**	—
At 31 December		
Cost	**397,912**	—
Accumulated amortisation	**(11,354)**	—
Net carrying amount	**386,558**	—

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

19. Other Intangible Assets

Group

	Operating right# HK$'000	Management information systems HK$'000	Patents and Licences HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
Year ended 31 December 2014						
At 31 December 2013 and 1 January 2014:						
Cost	—	24,691	2,469	2,648	1,875	31,683
Accumulated amortisation	—	(24,691)	(2,469)	(510)	(1,156)	(28,826)
Net carrying amount	—	—	—	2,138	719	2,857
Net carrying amount:						
At 1 January 2014	—	—	—	2,138	719	2,857
Additions	—	—	—	27	—	27
Acquisition of subsidiaries (note 35)	84,575	—	21,834	—	—	106,409
Assets included in assets of disposal groups classified as held for sale (note 12)	—	—	—	(1,547)	—	(1,547)
Amortisation provided during the year	(2,355)	—	(851)	(544)	(375)	(4,125)
Exchange realignment	30	—	10	(48)	—	(8)
At 31 December 2014	82,250	—	20,993	26	344	103,613
At 31 December 2014:						
Cost	84,575	—	21,834	27	1,875	108,311
Accumulated amortisation	(2,325)	—	(841)	(1)	(1,531)	(4,698)
Net carrying amount	82,250	—	20,993	26	344	103,613

One of the subsidiaries newly acquired by the Group during the year has entered into a service concession arrangement for the construction and operation of a solid waste incineration plant with a governmental authority in Shandong, the PRC, on a BOO basis, for a period of 30 years commencing from 2008. The amount represents the fair value of the operating right under the BOO arrangement acquired by the Group.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

19. Other Intangible Assets *(continued)*

Group

	Operating right HK$'000	Management information systems HK$'000	Patents and Licences HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
Year ended 31 December 2013						
At 1 January 2013:						
Cost	—	24,691	2,469	3,771	1,875	32,806
Accumulated amortisation	—	(24,691)	(2,469)	(1,289)	(781)	(29,230)
Net carrying amount	—	—	—	2,482	1,094	3,576
Net carrying amount:						
At 1 January 2013	—	—	—	2,482	1,094	3,576
Additions	—	—	—	630	—	630
Amortisation provided during the year	—	—	—	(457)	(375)	(832)
Disposal of a subsidiary (note 36)	—	—	—	(607)	—	(607)
Exchange realignment	—	—	—	90	—	90
At 31 December 2013	—	—	—	2,138	719	2,857
At 31 December 2013:						
Cost	—	24,691	2,469	2,648	1,875	31,683
Accumulated amortisation	—	(24,691)	(2,469)	(510)	(1,156)	(28,826)
Net carrying amount	—	—	—	2,138	719	2,857

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

19. Other Intangible Assets *(continued)*

Company

	Golf club membership	
	2014	2013
	HK$'000	HK$'000
At 1 January:		
Cost	**1,875**	1,875
Accumulated amortisation	**(1,156)**	(781)
Net carrying amount	**719**	1,094
Net carrying amount:		
At 1 January	**719**	1,094
Amortisation provided during the year	**(375)**	(375)
At 31 December	**344**	719
At 31 December:		
Cost	**1,875**	1,875
Accumulated amortisation	**(1,531)**	(1,156)
Net carrying amount	**344**	719

20. Investments in Subsidiaries

		Company	
		2014	2013
	Notes	**HK$'000**	HK$'000
Unlisted shares or investments, at cost		**235,414**	235,414
Due from subsidiaries	(a)	**1,723,387**	398,628
		1,958,801	634,042
Accumulated impairment of unlisted shares or investments	(b)	**(118,460)**	(152,102)
Accumulated impairment of amounts due from subsidiaries	(c)	**(282,558)**	(292,688)
		(401,018)	(444,790)
		1,557,783	189,252

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

20. Investments in Subsidiaries *(continued)*

Notes:

(a) The amounts due from subsidiaries included in investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

(b) The movement in the provision for impairment of unlisted shares or investments in subsidiaries during the year is as follows:

	Company	
	2014	2013
	HK$'000	HK$'000
At 1 January	**152,102**	152,091
Impairment/(reversal of impairment) during the year recognised in the statement of profit or loss (note 11)	**(33,642)**	11
At 31 December	**118,460**	152,102

A reversal of impairment provision of HK$33,642,000 (2013: impairment provision of HK$11,000) was recognised in the Company's statement of profit or loss because the Group had entered into equity transfer agreements for the disposal of certain subsidiaries. Further details of these proposed disposals are disclosed in note 12.

(c) The movement in the provision for impairment of the amounts due from subsidiaries during the year is as follows:

	Company	
	2014	2013
	HK$'000	HK$'000
At 1 January	**292,688**	292,897
Reversal of impairment during the year recognised in the statement of profit or loss (note 11)	**(10,130)**	(209)
At 31 December	**282,558**	292,688

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

20. Investments in Subsidiaries *(continued)*

Notes: *(continued)*

(d) Particulars of the principal subsidiaries, which are all indirectly held by the Company, are as follows:

Name	Place of registration and business	Issued and paid-up capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
泰安中科環保電力有限公司#^	PRC/ Mainland China	RMB100,000,000	100	Solid waste incineration
常德中聯環保電力有限公司#^	PRC/ Mainland China	RMB100,000,000	100	Solid waste incineration
北京北控綠海能環保有限公司*&	PRC/ Mainland China	RMB200,000,000	99	Solid waste incineration
Beijing Development Property Investment and Management Co., Ltd.*	PRC/ Mainland China	US$4,000,000	85.5	Property investment
Beijing Enterprises Teletron Information Technology Co., Ltd. #+	PRC/ Mainland China	RMB100,000,000	72	System integration and provision of IT technical support and consultation services
Beijing Enterprises Jetrich (Beijing) Limited #+	PRC/ Mainland China	US$2,450,000	72	Provision of total education solutions
北京捷通瑞奇信息技術有限公司Ω+	PRC/ Mainland China	RMB5,000,000	63	System integration and provision of IT technical support services
北控軟件有限公司Ω+	PRC/ Mainland China	RMB50,000,000	68.4	Provision of management information system services
Beijing Enterprises UniCard Co., Ltd. Ω+	PRC/ Mainland China	HK$50,000,000	60	Operation of electronic payment cards

Registered as wholly-owned enterprises under PRC law
Ω Registered as limited liability companies under PRC law
* Registered as a Sino-foreign joint venture under PRC law
^ Acquired during the year (note 35)
& Established during the year
+ Included in assets of disposal groups classified as held for sale as at 31 December 2014 (note 12)

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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

20. Investments in Subsidiaries *(continued)*

Notes: *(continued)*

(e) Material non-wholly-owned subsidiaries

The following table lists out the information relating to each of the Group's subsidiaries that has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

Percentage of equity interests held by non-controlling interests:

Name	Place of incorporation and business	2014	2013
BEITG	British Virgin Islands/Mainland China	**28%**	28%
BNHK	Hong Kong/Mainland China	**40%**	40%

Accumulated balances of material non-controlling interests at the reporting dates:

Name	2014 HK$'000	2013 HK$'000
BEITG	**21,554**	22,148
BNHK	**(15,719)**	(13,110)
	5,835	9,038

Profit/(loss) for the year allocated to material non-controlling interests:

Name	2014 HK$'000	2013 HK$'000
BEITG	**242**	(1,283)
BNHK	**(2,465)**	(2,947)
	(2,223)	(4,230)

There was no dividend declared or paid to non-controlling interests during the years ended 31 December 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

20. Investments in Subsidiaries *(continued)*

Notes: *(continued)*

(e) Material non-wholly-owned subsidiaries *(continued)*

The following tables illustrate the summarised consolidated financial information of BEITG and BNHK. The amounts disclosed are before any inter-company eliminations:

(i) BEITG

	2014 HK$'000	2013 HK$'000
Revenue	228,565	187,213
Total expenses	(227,101)	(190,938)
Profit/(loss) for the year	1,464	(3,725)
Total comprehensive loss for the year	(1,150)	(120)
Current assets	276,628	270,081
Non-current assets	34,954	33,290
Current liabilities	(238,658)	(232,625)
Non-current liabilities	(10,191)	(6,863)
Equity attributable to owners of the Company	57,193	57,965
Non-controlling interest in %	28%	28%
Non-controlling interests	16,014	16,230
Net cash flows from/(used in) operating activities	(36,739)	27,279
Net cash flows from investing activities	9,155	11,233
Net increase/(decrease) in cash and cash equivalents	(27,584)	38,512

(ii) BNHK

	2014 HK$'000	2013 HK$'000
Revenue	11,430	5,792
Total expenses	(17,593)	(13,159)
Loss for the year	(6,163)	(7,367)
Total comprehensive loss for the year	(6,523)	(6,540)
Current assets	12,345	26,714
Non-current assets	269	379
Current liabilities	(51,912)	(59,868)
Equity attributable to owners of the Company	(39,298)	(32,775)
Non-controlling interest in %	40%	40%
Non-controlling interests	(15,719)	(13,110)
Net cash flows used in operating activities	(14,367)	(8,118)
Net cash flows from/(used in) investing activities	(31)	471
Net decrease in cash and cash equivalents	(14,398)	(7,647)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

21. Investments in Joint Ventures

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**5,967**	11,986

Notes:

(a) Particulars of the Group's joint ventures, which are indirectly held by the Company, are as follows:

Name	Place of registration/ incorporation and business	Issued and paid-up capital/ registered capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Beijing Enterprises SITA Environmental Services Company Limited	Hong Kong	HK$10,000	60	50	60	Provision of consultancy services and technical support on environmental protection
北京教育信息網服務中心有限公司+	PRC/ Mainland China	RMB12,000,000	36	50	36	Provision of information network services

\+ Included in assets of disposal groups classified as held for sale as at 31 December 2014 (note 12)

(b) The Group's balances of other receivables and trade payables with a joint venture are disclosed in notes 26 and 31 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

21. Investments in Joint Ventures *(continued)*

Notes: *(continued)*

(c) The following table illustrates the summarised financial information of the Group's joint ventures, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

(i) Beijing Enterprises SITA Environmental Services Company Limited

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	10,000	—
Current assets	10,000	—
Other payables and accruals	(54)	—
Other current liabilities (excluding other payables and accruals)	(9,990)	—
Current liabilities	(10,044)	—
Net liabilities	(44)	—
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	60%	—
Carrying amount of the investment	(27)	—
Due from the joint venture	5,994	—
	5,967	—
Revenue	—	—
Loss for the year	(54)	—
Total comprehensive loss for the year	(54)	—

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

21. Investments in Joint Ventures *(continued)*

Notes: *(continued)*

(c) *(continued)*

(ii) 北京教育信息網服務中心有限公司

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	28,425	29,543
Other current assets (excluding cash and cash equivalents)	33,223	21,324
Current assets	61,648	50,867
Non-current assets	2,630	1,978
Trade and other payables and accruals	(15,985)	(6,753)
Other current liabilities (excluding trade and other payables and accruals)	(23,015)	(22,120)
Current liabilities	(39,000)	(28,873)
Net assets	25,278	23,972
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment*	12,639	11,986
Revenue	102,443	76,619
Interest income	26	123
Depreciation and amortisation	(798)	(581)
Tax	(330)	(342)
Profit/(loss) for the year	3,194	(757)
Total comprehensive income/(loss) for the year	3,194	(757)

* Included in assets of disposal groups classified as held for sale as at 31 December 2014 (note 12)

22. Investments in Associates

	Notes	Group 2014 HK$'000	Group 2013 HK$'000
Share of net assets		—	25,910
Due from an associate	(a)	—	15,798
		—	41,708
Impairment of the amount due from an associate	(b)	—	(15,798)
		—	25,910

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

22. Investments in Associates *(continued)*

Notes:

(a) The balance with the associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the advance is considered as a quasi-equity loan to the associate. The Group's balances of trade payables and other payables with associates are disclosed in notes 31 and 34 to the financial statements, respectively.

(b) The movement in the provision for impairment of the amount due from an associate during the year is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**15,798**	15,767
Impairment during the year recognised in the statement of profit or loss (note 6)	**30**	31
Write-off during the year#	**(15,828)**	—
At 31 December	**—**	15,798

上海海港商務中心有限公司, a 99% directly-owned subsidiary of Overseas Union Investments Limited ("OUI") which was fully impaired in prior years, was written off during the year.

(c) Particulars of the Group's associates, which are all indirectly held by the Company, are as follows:

Name	Issued and paid-up capital/ registered capital	Place of registration/ incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
OUI	HK$10,000	Hong Kong	50	Investment holding
北京北控電信通智能科技有限公司*	RMB10,000,000	PRC/ Mainland China	25	Provision for system integration services
CITD+	HK$269,547,191	Cayman Islands/ Hong Kong	—	Investment holding

* Included in assets of disposal groups classified as held for sale as at 31 December 2014 (note 12)

+ Disposed of during the year

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

22. Investments in Associates *(continued)*

Notes: *(continued)*

(d) The following tables illustrate the summarised financial information of CITD, which has been considered as a material associate of the Group in the prior year, and is accounted for using the equity method, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

CITD

	2014	2013
	HK$'000	HK$'000
Current assets	—	119,973
Non-current assets	—	23,693
Current liabilities	—	(24,105)
Non-controlling interests	—	978
Net assets	—	120,539
Net assets, excluding goodwill	—	108,539
Reconciliation to the Group's interest in the associate:		
Approximate proportion of the Group's ownership	—	21.1%
Group's share of net assets of the associate, excluding goodwill	—	22,898
Carrying amount of the investment	—	22,898
Revenue	**3,433**	60,936
Profit/(loss) for the year	**(4,807)**	12,933
Other comprehensive loss	**(381)**	(4,790)
Total comprehensive income/(loss) for the year	**(5,188)**	8,143

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

	2014	2013
	HK$'000	HK$'000
Share of the associates' profit for the year	**15**	37
Share of the associates' total comprehensive income for the year	**15**	37
Aggregate carrying amount of the Group's investments in associates*	**2,952**	3,012

* Included in assets of disposal groups classified as held for sale as at 31 December 2014 (note 12)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

23. Inventories

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials – coal and consumables	**2,377**	—
Finished goods – IT related products	**—**	9,609
	2,377	9,609

24. Amounts Due from/to Contract Customers

	Group	
	2014	2013
	HK$'000	HK$'000
Amounts due from contract customers	**—**	1,331
Amounts due to contract customers	**—**	(1,585)
	—	(254)
Contract costs incurred plus recognised profits less recognised losses to date	**—**	63,860
Less: Progress billings	**—**	(64,114)
	—	(254)

At 31 December 2013, retentions held by customers for contract work included in trade receivables amounted to HK$361,000 and advances received from customers for contract works included in other payables and accruals amounted to HK$1,773,000.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

25. Trade Receivables

	Notes	Group 2014 HK$'000	2013 HK$'000
Trade receivables due from:			
Third parties		**44,484**	95,382
A non-controlling interest	(a)	**—**	3,292
		44,484	98,674
Impairment	(b)	**—**	(22,895)
	(c)	**44,484**	75,779
Portion classified as current assets		**(44,484)**	(68,101)
Non-current portion		**—**	7,678

Notes:

(a) The balance with a non-controlling interest is repayable on credit terms similar to those offered to the major customers of the Group.

(b) The movements in the provision for impairment of trade receivables during the year are as follows:

	Group 2014 HK$'000	2013 HK$'000
At 1 January	**22,895**	21,422
Impairment during the year recognised in the statement of profit or loss, net	**1,604**	641
Transferred to assets of the disposal groups classified as held for sale	**(23,906)**	—
Exchange realignment	**(593)**	832
At 31 December	**—**	22,895

As at 31 December 2013, the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of HK$22,895,000 with a carrying amount before provision of HK$24,478,000. The individually impaired trade receivables related to customers that were in financial difficulties and only a portion of the receivables was expected to be recovered.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

25. Trade Receivables *(continued)*

Notes: *(continued)*

(c) Various companies of the Group have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers of the solid waste treatment segment is generally one to six months; while the credit period granted to customers of the IT segment (which was included in assets of disposal groups classified as held for sale as at 31 December 2014) is generally one to three months, with an instalment period extended up to six years for major customers. An aged analysis of the trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date and net of impairment, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**22,190**	40,959
Past due but not impaired:		
Within 3 months	**4,109**	20,363
4 to 6 months	**2,639**	—
7 to 12 months	**3,081**	1,748
Over 1 year	**12,465**	12,709
	22,294	34,820
	44,484	75,779
Portion classified as current assets	**(44,484)**	(68,101)
Non-current portion	**—**	7,678

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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

26. Prepayments, Deposits and Other Receivables

		Group		Company	
	Notes	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Prepayments		35,620	56,615	33,178	33,582
Deposits and other receivables		15,987	21,335	2,881	3,757
Loan to a subsidiary	(a)	—	—	7,500	7,692
Due from subsidiaries	(a)	—	—	140,045	28,882
Due from fellow subsidiaries	(a)	45	82	45	—
Due from a joint venture	(a)	—	485	—	—
Due from non-controlling interests	(a)	126,997	2,916	—	—
Due from other related companies	(a)	—	314	—	56
		178,649	81,747	183,649	73,969
Impairment	(b)	(3,872)	(12,032)	(1,875)	(1,923)
	(c)	174,777	69,715	181,774	72,046
Portion classified as current assets		(142,777)	(36,894)	(149,774)	(39,225)
Non-current portion	(d)	32,000	32,821	32,000	32,821

Notes:

(a) The balances with subsidiaries, fellow subsidiaries, a joint venture, non-controlling interests and related companies are unsecured, interest-free and have no fixed terms of repayment.

(b) The movements in provision for impairment of other receivables during the year are as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
At 1 January	12,032	6,552	1,923	—
Impairment/(reversal of impairment) during the year recognised in the statement of profit or loss, net	(511)	5,186	—	1,923
Transferred to assets of disposal groups classified as held for sale	(7,354)	—	—	—
Exchange realignment	(295)	294	(48)	—
At 31 December	3,872	12,032	1,875	1,923

The above provision for impairment of other receivables is a provision for individually impaired other receivables.

(c) Other than the aforementioned impaired other receivables, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

(d) On 14 February 2012, the Company entered into a property transfer agreement with 北京北控宏創科技有限公司 ("Hong Chuang"), a fellow subsidiary of the Company, pursuant to which the Company agreed to purchase the property situated in Mainland China (the "Property") at a cash consideration of RMB32,000,000 (equivalent to HK$40,000,000). At 31 December 2014, the non-current portion represented the prepayment of RMB25,600,000 (equivalent to HK$32,000,000) (2013: HK$32,821,000) paid to Hong Chuang. Further details of the transaction are set out in the Company's announcement dated 14 February 2012. At the date of approval of these financial statements, the transaction has not yet been completed.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

27. Pledged Deposits and Cash and Cash Equivalents

		Group		Company	
	Notes	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Cash and bank balances other than time deposits	(a)	**1,092,244**	218,543	**803,346**	76,464
Time deposits	(a)	**600,223**	958,647	**375,000**	918,718
Less: Pledged deposits	(b)	**—**	(3,200)	**—**	—
Cash and cash equivalents		**1,692,467**	1,173,990	**1,178,346**	995,182

Notes:

(a) At 31 December 2014, the total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$486,852,000 (2013: HK$421,716,000). 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. Time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

(b) The Group's pledged deposits as at 31 December 2013 served as tender deposits to secure certain system integration contracts of the Group.

The analysis of cash and bank balances for the purpose of the consolidated statement of cash flows is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	**1,818,578**	1,173,990
Less: Assets of disposal groups classified as held for sale (note 12)	**(126,111)**	—
	1,692,467	1,173,990

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

28. Share Capital

Shares

	2014 HK$'000	2013 HK$'000
Authorised: (note (i))		
Ordinary shares of HK$1 each (note (ii))	—	5,000,000
Issued and fully paid:		
1,496,060,150 (2013: 854,960,150) ordinary shares	2,219,647	854,960

Notes:

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

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

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

	Notes	Number of ordinary shares in issue	Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Total HK$'000
At 1 January 2013		677,460,150	677,460	170,319	9,721	857,500
Issue of new shares	(a)	177,000,000	177,000	23,010	—	200,010
Issue of shares upon exercise of share options (note 29(c))	(b)	500,000	500	125	—	625
Transfer from share option reserve		—	—	229	—	229
Share issue expense	(a)	—	—	(791)	—	(791)
At 31 December 2013 and 1 January 2014		854,960,150	854,960	192,892	9,721	1,057,573
Transition to no-par value regime	(c)	—	202,613	(192,892)	(9,721)	—
Conversion of convertible bonds	(d)	286,000,000	329,119	—	—	329,119
Issue of new shares for acquisition of subsidiaries	(e)	347,000,000	818,920	—	—	818,920
Issue of shares upon exercise of share options (note 29(c))	(b)	8,100,000	14,035	—	—	14,035
		1,496,060,150	2,219,647	—	—	2,219,647

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

28. Share Capital *(continued)*

Shares *(continued)*

Notes:

(a) On 28 February 2013, 177,000,000 new ordinary shares of HK$1 each were issued at a price of HK$1.13 per share to Idata with net proceeds of HK$199,219,000. Further details of the transaction are set out in the Company's circular dated 21 December 2012 and announcement dated 28 February 2013.

(b) During the year ended 31 December 2014, 8,100,000 ordinary shares (2013: 500,000) were issued upon the exercise of the subscription rights attaching to 8,100,000 share options (2013: 500,000) at the subscription price of HK$1.25 per share by the employees of the Group.

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

(d) On 25 April 2014, certain convertible bonds with an aggregate principal amount of HK$323,180,000 were converted into 286,000,000 ordinary shares of the Company at the conversion price of HK$1.13 per share by Idata (note 32).

(e) On 29 April 2014, 347,000,000 ordinary shares of the Company were issued at the market price of HK$2.36 per share as part of the consideration to acquire the entire equity interests in and shareholders' loans of KCS Taian and KCS Changde. Further details of this acquisition are set out in note 35 to the financial statements.

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are included in note 29 to the financial statements.

29. Share Option Scheme

The purpose of the Scheme is (i) to attract and retain the best quality personnel for the development of the Company's business; (ii) to provide incentives or rewards to eligible participants; and (iii) to promote the long term financial success of the Company by aligning the interests of grantees to shareholders. Eligible participants of the Scheme include (i) any person employed by the Company or a subsidiary of the Company and any person who is an officer or director (whether executive or non-executive) of the Company or any subsidiary of the Company; (ii) any non-executive director and any independent non-executive director, or officer of any member of the Group; and (iii) any consultant of any member of the Group. The Scheme became effective on 31 May 2011 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 number of ordinary shares of the Company in issue at any time. The maximum number of ordinary shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the ordinary shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

Share options granted to a director or chief executive 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 an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's ordinary 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 *(CONTINUED)*

31 December 2014

29. 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 the acceptance of the share options or a certain vesting period, if any, and ends on a date which is not later than ten years from the date on which the offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of offer of the share options; and (ii) the average closing price of the Company's ordinary shares on the Stock Exchange 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 share options are non-transferrable and lapse when expire or within three months from the date on which the grantee ceases to be an employee of the Group.

The following table sets out the movements in the share options granted under the Scheme during the years ended 31 December 2014 and 2013:

		Number of share options	
	Notes	**2014**	2013
At 1 January		**50,920,000**	51,420,000
Exercised during the year	(c)	**(8,100,000)**	(500,000)
At 31 December	(d)	**42,820,000**	50,920,000

Notes:

(a) The exercise price of the share options is HK$1.25 per share, which is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. The share options are exercisable during the period from 21 June 2011 to 20 June 2021.

(b) No share option was granted, forfeited and lapsed during the years ended 31 December 2014 and 2013.

(c) 8,100,000 share options at the exercise price of HK$1.25 per share were exercised by employees of the Company during the year ended 31 December 2014 (2013: 500,000), resulting in issue of 8,100,000 ordinary shares of HK$1 each for a total cash consideration of HK$10,125,000 (2013: HK$625,000).

(d) At 31 December 2014 and the date of approval of these financial statements, the Company had 42,820,000 (2013: 50,920,000) share options outstanding under the Scheme, which represented approximately 2.9% (2013: 6.0%) of the Company's ordinary shares in issue at that date of approval of these financial statements.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,820,000 (2013: 50,920,000) additional ordinary shares of the Company and additional share capital of HK$77,268,000 (2013: additional share capital of HK$50,920,000 and share premium of HK$40,383,000), before any issue expenses.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

30. Reserves

(a) Group

(i) 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 33 of the financial statements.

(ii) The capital redemption reserve represents the par value of ordinary shares of the Company which had been repurchased and cancelled in prior years.

(iii) The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related share options are exercised, or transferred to retained profits/accumulated losses should the related share options expire or be forfeited.

(iv) PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's PRC subsidiaries. None of the Group's PRC reserve funds as at 31 December 2014 was distributable in the form of cash dividends (2013: Nil).

(b) Company

	Notes	Share premium account# HK$'000	Capital redemption reserve# HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013		170,319	9,721	27,882	—	(237,374)	(29,452)
Loss and total comprehensive loss for the year	11	—	—	—	—	(11,946)	(11,946)
Issue of new shares	28	23,010	—	—	—	—	23,010
Issue of shares upon exercise of share options	28, 29	354	—	(229)	—	—	125
Share issue expense	28	(791)	—	—	—	—	(791)
Issue of convertible bonds	32	—	—	—	31,971	—	31,971
At 31 December 2013 and 1 January 2014		192,892	9,721	27,653	31,971	(249,320)	12,917
Profit and total comprehensive income for the year	11	—	—	—	—	16,017	16,017
Transition to no-par value regime	28(c)	(192,892)	(9,721)	—	—	—	(202,613)
Issue of convertible bonds	32	—	—	—	12,502	—	12,502
Conversion of convertible bonds into shares	32	—	—	—	(32,815)	—	(32,815)
Issue of shares upon exercise of share options	28, 29	—	—	(3,910)	—	—	(3,910)
At 31 December 2014		—	—	23,743	11,658	(233,303)	(197,902)

Included in "Other statutory capital reserves" in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

31. Trade Payables

The trade payables are non-interest-bearing and normally settled within one to six months for the solid waste treatment segment and settled within one to three months, with credit periods extended up to six years offered by major suppliers, for the IT segment (which was included in liabilities directly associated with assets classified as held for sale as at 31 December 2014).

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Not past due	**5,963**	50,666
Past due:		
Less than 3 months	**786**	55,231
4 to 6 months	**138**	—
7 to 12 months	**116**	2,018
Over 1 year	**28**	15,338
	1,068	72,587
	7,031	123,253
Portion classified as current liabilities	**(7,031)**	(116,390)
Non-current portion	**—**	6,863
Comprising amounts payable to:		
Third parties	**7,031**	117,234
A joint venture	**—**	646
Associates	**—**	5,373
	7,031	123,253

The balances with a joint venture and associates as at 31 December 2013 have credit terms similar to those offered by the joint venture and associates to their major customers.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

32. Convertible Bonds

A summary of the movements in the principal amount, liability and equity components of the Group's and the Company's convertible bonds during the years ended 31 December 2014 and 2013 is as follows:

	Group and Company			
	Batch 1 HK$'000 (note (a))	Batch 2 HK$'000 (note (b))	Batch 3 HK$'000 (note (d))	Total HK$'000
Principal amount outstanding				
At 1 January 2013	—	—	—	—
Issue of convertible bonds	300,580	—	—	300,580
At 31 December 2013 and 1 January 2014	**300,580**	**—**	**—**	**300,580**
Issue of convertible bonds	**—**	**113,000**	**700,600**	**813,600**
Conversion into ordinary shares of the Company (note 28(d))	**(300,580)**	**(22,600)**	**—**	**(323,180)**
At 31 December 2014	**—**	**90,400**	**700,600**	**791,000**
Liability component				
At 1 January 2013	—	—	—	—
Issue of convertible bonds	267,420	—	—	267,420
Imputed interest expenses (note 7)	5,121	—	—	5,121
At 31 December 2013 and 1 January 2014	**272,541**	**—**	**—**	**272,541**
Issue of convertible bonds	**—**	**108,780**	**692,318**	**801,098**
Imputed interest expenses (note 7)	**2,007**	**584**	**21**	**2,612**
Conversion into ordinary shares of the Company (note 28(d))	**(274,548)**	**(21,756)**	**—**	**(296,304)**
At 31 December 2014	**—**	**87,608**	**692,339**	**779,947**
Equity component				
At 1 January 2013	—	—	—	—
Issue of convertible bonds	31,971	—	—	31,971
At 31 December 2013 and 1 January 2014	**31,971**	**—**	**—**	**31,971**
Issue of convertible bonds	**—**	**4,220**	**8,282**	**12,502**
Conversion to ordinary shares of the Company (note 28(d))	**(31,971)**	**(844)**	**—**	**(32,815)**
At 31 December 2014	**—**	**3,376**	**8,282**	**11,658**

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

32. Convertible Bonds *(continued)*

Notes:

(a) On 28 February 2013, pursuant to the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto, collectively the "Subscription Agreement") entered into between the Company, Idata, as subscriber, and Beijing Enterprises Holdings Limited ("BEHL", an intermediate holding company of the Company whose shares are listed on the Stock Exchange), as guarantor, inter alia, convertible bonds of the Company with an aggregate principal amount of HK$300,580,000 and an initial conversion price of HK$1.13 per share were issued to Idata. The convertible bonds bear interest at 1% per annum and have a maturity ended on 28 February 2018. In addition, subject to the Company's satisfaction of certain pre-conditions to giving notice within one year from 28 February 2013, the Company shall have the discretion to notify Idata at any time during the term of the convertible bonds to require Idata to subscribe for such amount of standby convertible bonds of an aggregate principal amount of HK$3,000,150,000 at the initial conversion price of HK$1.13 per share, as the Company may, from time to time, consider appropriate. Further details of the transactions are set out in the Company's circular dated 21 December 2012 and the Company's announcement dated 28 February 2013.

(b) On 24 April 2014, pursuant to the Subscription Agreement, Idata subscribed for part of the standby convertible bonds in the principal amount of HK$113,000,000. Further details of the transaction are set out in the Company's announcement dated 24 April 2014.

(c) On 25 April 2014, certain convertible bonds with an aggregate principal amount of HK$323,180,000 were converted into 286,000,000 ordinary shares of the Company at the conversion price of HK$1.13 per share.

(d) On 29 December 2014, pursuant to the Subscription Agreement, Idata subscribed for part of the standby convertible bonds in the principal amount of HK$700,600,000. Further details of the transaction are set out in the Company's announcement dated 29 December 2014.

(e) As at 31 December 2014, the principal amount of standby convertible bonds under the Subscription Agreement which have not been subscribed by Idata was HK$2,186,550,000.

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

The carrying amount of the liability component of the convertible bonds approximated to its fair value as at 31 December 2014.

33. Deferred Tax Liabilities

Deferred tax liabilities recognised in the consolidated statement of financial position as at 31 December 2014 amounted to HK$60,463,000 (2013: Nil), which were attributable to the fair value adjustments arising from acquisition of subsidiaries. The movements for the year is as follows:

		Group	
	Notes	**2014 HK'000**	2013 HK'000
At 1 January		**—**	—
Acquisition of subsidiaries	35	**62,091**	—
Net deferred tax credited to profit or loss	10	**(1,649)**	—
Exchange realignment		**21**	—
At 31 December		**60,463**	—

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

33. Deferred Tax Liabilities *(continued)*

At 31 December 2014, the Group had tax losses arising in Hong Kong of approximately HK$132,461,000 (2013: HK$132,461,000) in aggregate that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$6,337,000 (2013: HK$125,699,000, in which HK$114,598,000 was attributable to the disposal groups classified as held for sale as at 31 December 2014) as at 31 December 2014 that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in entities that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate 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 Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rates are 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and the joint venture established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and the joint venture established in Mainland China (2013: Nil). In the opinion of the directors, it is not probable that these subsidiaries and joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and the joint venture in Mainland China for which deferred tax liabilities have not been recognised totaled approximately HK$1,227,123 (2013: HK$1,246,000) as at 31 December 2014.

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

34. Other Payables and Accruals

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Receipts in advance	**1,400**	35,433	**1,400**	—
Other payables	**36,578**	30,010	**2,622**	3,455
Accruals	**9,621**	9,324	**8,404**	7,462
Due to subsidiaries	**—**	—	**103,842**	104,856
Due to fellow subsidiaries	**1,844**	—	**1,838**	—
Due to associates	**—**	1,937	**—**	—
Due to a non-controlling interest	**—**	20,000	**—**	—
Due to related companies	**—**	1,887	**—**	1,887
	49,443	98,591	**118,106**	117,660

The balances with subsidiaries, fellow subsidiaries, associates, a non-controlling interest and related companies are unsecured, interest-free and have no fixed terms of repayment.

Other payables are non-interest-bearing and have an average term of three to six months in general.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

35. Business Combinations

On 29 April 2014, the Group acquired the entire equity interests in and the shareholders' loans of KCS Taian and KCS Changde from an independent third party for a total consideration of RMB520,000,000. The consideration was satisfied as to RMB86,790,000 (equivalent to HK$107,880,000) by cash and RMB433,210,000 by the issue of 347,000,000 ordinary shares of the Company at an issue price of HK$1.60 per share (fair value of which on issue date was HK$2.36 per share). Further details of the transaction are set out in the Company's circular dated 27 March 2014.

KCS Taian and KCS Changde are engaged in the solid waste treatment business.

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

	Notes	KCS Taian HK$'000	KCS Changde HK$'000	Total HK$'000
Net assets acquired:				
Property, plant and equipment	14	221,250	1,941	223,191
Prepaid land lease payments	16	26,250	—	26,250
Operating concession	18	—	397,396	397,396
Other intangible assets	19	94,992	11,417	106,409
Inventories		3,679	1,403	5,082
Trade receivables		16,396	33,217	49,613
Prepayments, deposits and other receivables		21,211	15,693	36,904
Cash and cash equivalents		23,114	23,829	46,943
Trade payables		(3,043)	(4,336)	(7,379)
Other payables and accruals		(16,698)	(32,245)	(48,943)
Tax payables		(4,289)	(2,447)	(6,736)
Deferred tax liabilities	33	(25,306)	(36,785)	(62,091)
		357,556	409,083	766,639
Goodwill on acquisition	17			160,161
				926,800
Satisfied by:				
Cash				107,880
Issue of new ordinary shares of the Company as consideration (note 28(e))				818,920
				926,800
Net cash outflow arising from acquisition:				
Cash consideration				107,880
Cash and cash equivalents acquired				(46,943)
				60,937

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

35. Business Combinations *(continued)*

The fair values, which are also the gross contractual amounts, of trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to HK$49,613,000 and HK$36,904,000, respectively, and all of which are expected to be collectible.

The Group incurred transaction costs of HK$3,450,000 for this acquisition. These transaction costs have been expensed and also included in administrative expenses in the consolidated statement of profit or loss.

During the year, the acquired businesses contributed HK$108,516,000 and HK$24,626,000 to the Group's turnover and profit for the year between the date of acquisition and the end of the year, respectively.

Had the above acquisition been effected at the beginning of the year, the total amount of revenue of the Group for the year ended 31 December 2014 would have been HK$154,411,000, and the amount of the profit for the year would have been HK$10,023,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at the beginning of the year, nor is it intended to be a projection of future results.

36. Disposal of a Subsidiary

On 5 February 2013, Business Net Limited, entered into an equity transfer agreement with QIFA Holdings Limited, an indirectly wholly-owned subsidiary of BEGCL, for the transfer of its entire share capital of Alison Development Limited ("Alison"), an indirectly wholly-owned subsidiary of the Company, and the indebtedness advanced by the Company to Alison for a cash consideration of HK$8,500,000. Alison is an investment holding company and its sole investment is a 59.5% equity interest in 北京北控文化體育有限公司. The transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under the Listing Rules. Further details of the transaction are set out in the Company's announcement dated 5 February 2013. The transaction was completed on 6 February 2013.

	Notes	2013 HK$'000
Net assets disposed of:		
Property and equipment	14	2,508
Other intangible assets	19	607
Prepayments, deposits and other receivables		10,607
Cash and cash equivalents		56,538
Other payables and accruals		(13,415)
Deferred income		(44,285)
Non-controlling interests		(4,903)
		7,657
Exchange fluctuation reserve realised		(706)
Transaction costs		14
Gain on disposal of a subsidiary		1,535
Satisfied by cash		8,500

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

36. Disposal of a Subsidiary *(continued)*

An analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013 HK$'000
Cash consideration	8,500
Cash and cash equivalents disposed of	(56,538)
Transaction costs paid	(14)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(48,052)

37. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2014 (2013: Nil).

At 31 December 2014, contingent liabilities of the Company not provided for in the financial statements comprised guarantees of HK$125,000,000 (2013: HK$142,203,000), in aggregate, given to banks in connection with the banking facilities granted to a subsidiary, which were utilised up to HK$22,015,105 (2013: HK$13,998,000) as at 31 December 2014.

38. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to three years (2013: one to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Within one year	**4,074**	5,380
In the second to fifth years, inclusive	**—**	3,735
	4,074	9,115

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

39. Capital Commitments

At the end of the reporting period, in addition to the operating lease arrangements detailed in note 38 above, the Group and the Company had capital commitments as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Authorised, but not contracted for:	**—**	—	**—**	—
Contracted, but not provided for:				
Property	**8,000**	8,205	**8,000**	8,205
	8,000	8,205	**8,000**	8,205

On 4 September 2014, Beijing Development Environmental Protection (Haidian) Limited ("BDEP Haidian"), a wholly-owned subsidiary of the Company, entered into the joint venture master agreement (the "Joint Venture Master Agreement") with 北京綠海能環保有限責任公司 ("Lvhaineng") in relation to the establishment of a licensed company for the investment, construction and operation of a solid waste incineration plant in Haidian, Beijing, the PRC (the "Licensed Company"). Upon completion of the Joint Venture Master Agreement, the Licensed Company shall become a non-wholly-owned subsidiary of the Company owned as to 99% and 1% by BDEP (Haidian) and Lvhaineng, respectively. The total investment amount of the Licensed Company is RMB925,000,000, of which RMB921,916,000 is to be contributed by the Group. Further details of the transactions are set out in the Company's announcement dated 4 September 2014 and circular dated 10 October 2014. At 31 December 2014, the Group has contributed RMB198,000,000 as initial registered capital of the Licensed Company.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

40. Related Party Disclosures

(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:

	Notes	Group 2014 HK$'000	Group 2013 HK$'000
With an associate:			
Sub-contracting fee paid	(i)	—	302
Purchases of goods	(i)	19,718	—
With a joint venture:			
Sub-contracting fee paid	(ii)	903	1,016
Sales of products	(ii)	3,089	—
With a non-controlling interest			
Service income received	(iii)	16,259	7,363
Sales of products	(iii)	8,370	10,586
Software development income received	(iii)	5,835	3,603
With other related companies:			
Purchases of goods from a joint venture of a holding company@	(iv)	1,639	3,907
Property services fee paid to Hong Chuang@	(v)	1,739	1,739
Rental expenses paid to Beijing Enterprises (Properties) Limited@	(vi)	240	230

@ These transactions constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.

Notes:

(i) The sub-contracting fee paid to and the purchase prices of goods from 北京北控電信通智能科技有限公司 were based on terms and conditions mutually agreed between the parties.

(ii) The sub-contracting fee paid to and the sales of products to 北京教育信息網服務中心有限公司 were based on terms and conditions mutually agreed between the parties.

(iii) The service income and software development income received from and sales of products to 北京教育網絡和信息中心 were based on terms and conditions mutually agreed between the parties.

(iv) The purchase prices of goods from 北京市政交通一卡通有限公司 were mutually agreed between the parties under the framework agreement dated 30 March 2012 regarding the supplies of merchandise and related services of municipal administration and communications card, namely "一卡通", to the Group. Further details of the transactions are set out in the Company's announcement dated 30 March 2012.

(v) The property services fee payable to Hong Chuang was determined in accordance with the property services contract (the "Property Services Contract") dated 31 December 2012, pursuant to which Hong Chuang will provide property management services in respect of the public areas and public installation and facilities of the Property. Further details of the Property Services Contract are set out in the Company's announcement dated 31 December 2012.

(vi) The rental expenses payable to Beijing Enterprises (Properties) Limited was determined by reference to the prevailing market rentals.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

40. Related Party Disclosures *(continued)*

(b) Commitments with related parties

(i) As disclosed in note 26(d) to the financial statements, the Company has commitment in respect of the balance of consideration of RMB6,400,000 (equivalent to HK$8,000,000) payable to Hong Chuang upon the completion of the acquisition of the Property.

(c) Outstanding balances with related parties

(i) Details of the Group's amounts due from an associate as at the end of the reporting period included as non-current assets are disclosed in note 22 to the financial statements.

(ii) Details of the Group's trade receivables and prepayment and other receivables due from non-controlling interests, fellow subsidiaries, a joint venture and other related companies as at the end of the reporting period are disclosed in notes 25 and 26 to the financial statements, respectively.

(iii) Details of the Group's trade payables and other payables due to a joint venture, associates, fellow subsidiaries, a non-controlling interest and other related companies as at the end of the reporting period are disclosed in notes 31 and 34 to the financial statements, respectively.

(d) Compensation of key management personnel of the Group

	2014 HK$'000	2013 HK$'000
Short term employee benefits	5,493	4,856
Post-employment benefits	454	323
Total compensation paid to key management personnel	5,947	5,179

Further details of directors' emoluments are included in note 8 to the financial statements.

(e) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the year, the Group has transactions with Other SOEs including, but not limited to, bank deposits and borrowings and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are Other SOEs. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

41. Financial Instruments by Category

All financial assets and liabilities of the Group and the Company as at 31 December 2014 and 2013 were loans and receivables and financial liabilities stated at amortised cost, respectively.

42. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and short term deposits. These financial instruments are used for the Group's working capital. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, 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 carrying amounts of the Group's financial instruments approximated to their fair values as at the end of each reporting period as financial instruments included in current assets and current liabilities are with short term maturities and financial instruments included in non-current assets and non-current liabilities are discounted at effective interest rates. Accordingly, no separate disclosure of the fair values of the Group's financial instruments is made in the financial statements.

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

(a) Interest rate risk

The following table sets out the carrying amounts of the Group's financial instruments as at the end of the reporting period that are exposed to interest rate risk. All these financial instruments will be matured within one year:

	HK$'000	Effective interest rate %
At 31 December 2014		
Floating rate:		
Pledged deposits	**305**	**—**
Bank balances	**1,207,477**	**0.33**
Fixed rate:		
Time deposits	**610,223**	**1.43**
At 31 December 2013		
Floating rate:		
Pledged deposits	3,200	0.37
Bank balances	214,741	0.30
Fixed rate:		
Time deposits	958,647	1.55

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

42. Financial Risk Management Objectives and Policies *(continued)*

(b) Foreign currency risk

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of its transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, and the net assets of the Group's investments in these Mainland China subsidiaries are exposed to foreign currency translational risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax and of the Group's equity resulted from the translation of the Group's foreign operations.

	Increase/ (decrease) in RMB rate	Decrease/ (increase) in profit/loss before tax	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2014			
If HK$ weakens against RMB	**5**	**(1,064)**	**30,430**
If HK$ strengthens against RMB	**(5)**	**1,064**	**(30,430)**
2013			
If HK$ weakens against RMB	5	(457)	7,052
If HK$ strengthens against RMB	(5)	457	(7,052)

(c) Credit risk

The carrying amount of trade receivables, other receivables and cash and cash equivalents included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group trades only with recognised and creditworthy third parties and receivable balances are monitored on an ongoing basis, therefore the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. At 31 December 2014, the Group had certain concentration of credit risk as 18% (2013: 48%) and 50% (2013: 63%) of the total trade receivables were due from the Group's largest external customer and the Group's top five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to the concentration of credit risk.

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2014

42. Financial Risk Management Objectives and Policies *(continued)*

(d) 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 liabilities and financial assets (e.g., trade receivables) and projected cash flows from operations.

Financial liabilities of the Group and the Company included in current liabilities as at the end of the reporting period either had no fixed terms of repayment or were due for repayment within one year. Trade payables included in non-current liabilities are due for repayment within two to five years. The Company is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 37 to the financial statements

The liquidity risk of the Group is considered minimal as the Group is able to maintain adequate cash inflows from operations and there is no requirement to obtain external financing to finance the working capital of the Group.

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's objective for managing capital is to maintain a strong capital base to support the development of its business. The Group recognises the impact on shareholder returns by the level of equity capital employed within the Group and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possibly with greater leverage.

An annual capital plan of the Group is prepared and approved by the board of directors with the objective of maintaining both the optimal amount of capital and the mix between the different components of capital. The Group manages its own capital within the context of the approved annual capital plan, which determines the level of risk-weighted asset growth and the optimal amount and mix of capital required to support the planned business growth. As part of the Group's capital management policy, capital generated by subsidiaries in excess of planned requirements will return to the Group, normally by way of dividends.

The Company is primarily a provider of equity capital to its subsidiaries. These investments are substantially funded by the Group's own capital issuance. The Group seeks to maintain a prudent balance between the composition of its capital and that of its investments in subsidiaries.

The principal forms of capital are included in share capital and reserves in the consolidated statement of financial position.

43. Other Financial Information

The net current assets and total assets less current liabilities of the Group as at 31 December 2014 amounted to HK$1,912,263,000 (2013: HK$1,069,715,000) and HK$2,901,302,000 (2013: HK$1,208,466,000), respectively.

44. Comparative Presentation

As a result of the discontinuance of the IT business as further detailed in note 12 to the financial statements, certain comparative amounts have been restated and reclassified and the comparative consolidated statement of profit or loss has been re-presented as if the IT business discontinued during the current year had been discontinued at the beginning of the comparative period.

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years and restated/reclassified as appropriate, as extracted from the Company's published audited financial statements, is set out below:

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
CONTINUING OPERATIONS					
Revenue	**108,516**	—	—	—	—
Profit/(loss) before tax from continuing operations	**8,934**	(21,703)	(9,966)	(40,290)	(10,108)
Income tax	**(1,401)**	40	(30)	(70)	—
Profit/(loss) for the year from continuing operations	**7,533**	(21,663)	(9,996)	(40,360)	(10,108)
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**(2,386)**	(7,449)	(16,654)	89,298	(17,655)
Profit/(loss) for the year	**5,147**	(29,112)	(26,650)	48,938	(27,763)
Attributable to:					
Shareholders of the Company	**7,519**	(24,484)	(18,833)	54,846	(23,460)
Non-controlling interests	**(2,372)**	(4,628)	(7,817)	(5,908)	(4,303)
	5,147	(29,112)	(26,650)	48,938	(27,763)

	31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**3,192,897**	1,431,876	965,528	1,041,467	925,390
Total liabilities	**(1,132,005)**	(502,814)	(250,347)	(303,328)	(281,222)
Net assets	**2,060,892**	929,062	715,181	738,139	644,168
Equity attributable to:					
Shareholders of the Company	**2,053,669**	921,325	699,801	719,293	619,228
Non-controlling interests	**7,223**	7,737	15,380	18,846	24,940
	2,060,892	929,062	715,181	738,139	644,168