中国核建

中國核能科技集團有限公司
China Nuclear Energy Technology Corporation Limited
Formerly known as "China Nuclear Industry 23 International Corporation Limited"

ANNUAL REPORT 2016
Stock Code : 611

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ai Yilun *(Chairman)*
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Li Jinying
Mr. Li Feng
Mr. Bai Xuefei *(Co-Chief Executive Officer)*
Mr. Wu Yuanchen

Independent Non-executive Directors

Mr. Chan Ka Ling, Edmond
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan

AUDIT COMMITTEE

Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan

REMUNERATION COMMITTEE

Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Ai Yilun
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan

NOMINATION COMMITTEE

Mr. Ai Yilun *(Chairman)*
Ms. Jian Qing
Mr. Chan Ka Ling, Edmond
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan

COMPANY SECRETARY

Mr. Ng Siu Cheung

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Hong Kong Branch)

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

BERMUDA LEGAL ADVISER

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

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG PRINCIPAL OFFICE

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

STOCK CODE

611

WEBSITE

www.cnetcl.com

Chairman's Statement

On behalf of the Board of Directors, I am pleased to announce the results of the Group for the year ended 31 December 2016.

In 2016, the Group actively made use of the policy benefits in the solar power generation industry, seized every market opportunity and continued to implement our steady and positive business expansion strategy. At the meantime, the Group optimized resources allocation by disposing several non-core businesses. As a result, the core businesses of the Group represented by solar power generation operations and financial leasing business have achieved rapid development and exciting results.

In 2016, on the basis of turning around and becoming profitable, the Group further substantially improved its profitability to create more values for its shareholders. As of 31 December 2016, the Group recorded a total revenue from continuing operations of approximately HK$2,041 million, representing an increase of approximately 36% as compared with that of 2015. Profit attributable to owners of the Company was approximately HK$78 million and basic earnings per share from continuing operations amounted to approximately HK cent 6.44.

THE SOLAR POWER GENERATION OPERATIONS SUSTAINED ITS HIGH GROWTHS

Through fully capitalizing on its excellent design capability in the photovoltaic field and riding on the brand advantage of China Nuclear Engineering & Construction Corporation's ("**CNEC**") construction and the resource advantage on the basis of grasping unprecedented opportunities in the solar power generation industry, the Group's photovoltaic Engineering, Procurement and Construction ("**EPC**") business achieved significant improvement in business scale and earning ability. During the year 2016, photovoltaic EPC business recorded the revenue of approximately HK$2,010 million with an increase of approximately 34% over the corresponding period of last year. By keeping a firm grip on the cost of design, procurement and construction stage, the profitability of photovoltaic EPC business also increased and contributed an annual profit of approximately HK$114 million with a corresponding increase of approximately 75%. Favorable operation results and project quality further consolidated the Group's brand perception in our industry. In 2016, the Group won the top three ranking of PV EPC Brand Value in 2015 China PV Brand Ranking and was honored by the 2016 Polaris Cup as top ten Main Contractor Brand for ground power stations.

While making our photovoltaic EPC business bigger, the Group has further accelerated the pace of business transformation and upgrading, and the scale of self-built power plants expanded steadily. In addition to the project of Qiqihar photovoltaic power station invested in 2015 and the project of Jiangsu Taizhou photovoltaic power station I, the construction of the project of Taizhou 20MW photovoltaic power station II invested by the Group has commenced. By then, the Group's self-owned photovoltaic power stations will form a certain scale and are expected to generate stable revenue.

THE STEADY DEVELOPMENT OF THE FINANCE LEASE BUSINESS

In 2016, the Group has developed finance lease business in the clean energy and energy-saving and environmentally-friendly industries. The finance lease business focused on the concept of profession and steady development, providing efficient funding services for parties in need of funds through professional management operation, flexible product design and strict risk control. The Group recorded a revenue of approximately HK$5 million from the finance lease business throughout the year. Meanwhile, the Group, by enhancing industry researches, strengthening high-quality project reserve and further advancing the cooperation with financial institutions, have obtained sufficient banking facilities from banks in the People's Republic of China (the "**PRC**"), which laid a foundation for the development of the finance lease business.

DISPOSALS OF RESTAURANT, HOTEL OPERATIONS AND PROPERTY INVESTMENT BUSINESS

The Group has disposed of restaurant, hotel operations and property investment business in 2016, enhancing the concentration of its business structure. Benefited from its increased internal resources brought by the consideration settled by cash, the Group has focused on the development of clean energy generation and financial service business, and is prepared for seeking the appropriate investment targets in the future.

OUTLOOK

As we writing this report, the national 13th Five-Year Plan has expressly emphasized the development of energy reform, among which the orderly construction of photovoltaic projects was listed as one of the priority. The nation plans to accelerate the progress of developing distributed photovoltaic power stations in the mid-eastern and south regions and select some as pilot projects for solar thermal electric power generation, so as to implement the photovoltaic poverty alleviation arrangement. The 13th Five-year Plan for Energy Industry (能源發展「十三五」規劃) and the 13th Five-year Plan for the Solar Photovoltaic Industry (太陽能發展「十三五」規劃) make the target more clear that the non-fossil energy consumption proportion shall be raised to above 15% and the scale of solar power shall over 110 GW by 2020. The implement of all these macro policy are believed to boost economic development of photovoltaic and clean energy industries. The Group will endeavor to grasp the development trend of national economy and industry, especially the historic opportunity brought by the implementation of national development strategy of "One Belt, One Road", insist on the thought of capital lead and production and financing combination, follow the trend and ride on the momentum. We will further optimize and integrate the Group's resources and continuously improve the governance and risk control level of the Company. In addition, we will continue to expand and strengthen the solar energy generation and financial services business while actively seeking the investment opportunities in the nuclear field, so as to reward our public investors with better development achievements.

Ai Yilun
Chairman

Hong Kong, 14 March 2017

Management Discussion and Analysis

BUSINESS REVIEW

At the end of 2016, the Group has formed the diversified business architecture of photovoltaics EPC, photovoltaics power generation and financial services, and held equity interests in a professional company specialized in the maintenance of nuclear power stations and nuclear projects in the PRC.

On 8 December 2016, the National Energy Administration published the "13th Five-year Plan for the Solar Photovoltaic Industry". According to the plan, installed capacity of solar power generation will reach 110GW by the end of 2020. It is expected that the photovoltaics industry will still develop rapidly in the next few years.

Steady growth of traditional business

Through the introduction of excellent experience in the management of nuclear power construction project and the rich working capital, the Group's photovoltaic EPC business had enhanced its market competitiveness significantly. In 2016, the photovoltaic EPC business recorded double digit growth in both earnings and profits, with all projects achieving a quality acceptability of 100%. During the reporting year, the Group established environmental engineering (water pollution preventing project) specialized design B Class qualification and electricity main contractor three-tier qualification, laying the foundation for expanding engineering fields such as biomass energy and pollution control. In the following years, the Group will devote more efforts on market development and strive to become the leader enterprise in the industry.

Initial success of business transformation

During the reporting year, the first and second phase projects of Jiangsu Taizhou 20MW agricultural photovoltaics power station I which was solely developed by the Group were completed in succession and put into operation, generating a stable income. The Jiangsu Taizhou agricultural photovoltaics station II with the total installed capacity of 20MW started the construction and was added to grid connection at the end of 2016; the construction of Xuzhou Peixian Assembly Plant will be launched in 2017. Above projects have formed the initial new roadmap of the Group's photovoltaics power station operation, which would bring steady earnings and profits for the Group. Besides, the Group's Concentrated Solar Power Project of Nuclear Longteng (中核龍騰) located in Wulate Medium Banner in Inner Mongolia was selected into the first national solar power generation demonstrative project list. In the field of new energy, the business model of the Group has transformed from original single engineering construction into the integrated model of "development, investment, construction and operation".

Steady Development of Finance Lease

Relying on the internal photovoltaics power station investment plan, the finance lease business of the Group was started and developed steadily. Business development mainly faced the "clean energy" field benefiting from national macro policy and with a large number of high-quality assets, and the "energy conservation and environmental protection" field with a larger market space. At the same time, it helped the Group's EPC projects to get more business opportunities.

The participation in China Nuclear Industry Maintenance Co., Ltd. developed well, and its operation revenue amounted to HK$590,011,000, representing an increase of HK$98,873,000 or 20%. During the reporting period, the share of its net results amounted to HK$7,497,000.

The Group completed the disposal of restaurant, hotel operations and property investment business on 28 December 2016 and would focus on the development of new energy and related industrial finance in the future.

FINANCIAL REVIEW

The Group's consolidated revenue from continuing operations for the year ended 31 December 2016 amounted to HK$2,041,543,000 representing an increase of HK$537,801,000 compared to the consolidated revenue from continuing operations of HK$1,503,742,000 recorded for the year ended 31 December 2015. Consolidated profit attributable to owners of the Company for the current year was HK$78,571,000 (consolidated profit for the year ended 31 December 2015: HK$3,559,000). Basic earnings per share from continuing operations amounted to HK cent 6.44 (for the year ended 31 December 2015: basic earnings per share from continuing operations HK cent 1.84).

The final results of the Group for the year ended 31 December 2016 recorded a significant increase of net profit as compared to the net profit for the year ended 31 December 2015, among other things, the improvement is mainly due to the combined effect of the following: (i) the EPC and consultancy segment of the Group brought positive impact to the Group, mainly due to the contribution from projects revenue, which was benefited from extensive market development and new business growth plan in the relevant business. Therefore, the relevant business of the Group recorded a net profit for the year ended 31 December 2016; and (ii) the Group recognised a one-off gain from the disposal of interests in subsidiaries. The disposal has been completed on 28 December 2016. Details of which are set out in the announcements of the Company dated 1 November 2016, 25 November 2016, 2 December 2016 and 28 December 2016 respectively and the circular of the Company dated 5 December 2016. Net profit for the year amounted to HK$82,539,000, representing an increase of HK$72,541,000 compared to the net profit of HK$9,998,000 recorded for the year ended 31 December 2015.

The Board considers that the Group remains in a healthy and solid financial condition and is continuing to pursue in various investment opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$472,711,000 (31 December 2015: HK$310,851,000), most of which were unsecured bank deposits, with their original maturities within three months. Net assets were approximately HK$508,789,000 (31 December 2015: HK$474,941,000). The ratio of debt (included bank borrowings, convertible bonds and loans included in other payables and accruals) to total equity was 1.40 (31 December 2015: 0.76).

As at 31 December 2016, the Group's bank borrowings balance amounted to HK$682,724,000 (2015: HK$Nil). There were HK$280,207,000 repayable within one year, HK$356,650,000 repayable within two to five years and HK$45,867,000 repayable after five years. The bank borrowings as at 31 December 2016 included Hong Kong Dollar bank borrowings of HK$300,000,000 and Renminbi bank borrowings equivalent to HK$382,724,000.

The bank loans are secured by corporate guarantee provided by the ultimate holding company and fellow subsidiaries of the Company, the Group's bills receivables amounted to HK$33,337,000 and finance lease receivables amounted to HK$114,492,000. All bank loans bear interest at floating rates, with effective interest rates ranging from 1.9% to 4.9% per annum.

On 26 May 2015, the Company issued an aggregated principal amount of HK$350,000,000 3% convertible bonds, which are due on 25 May 2016. The Company received net proceeds of HK$346,114,000 after deducting the commissions and expenses of the offering. Since the date of issuance and up to 25 May 2016, HK$55,000,000 of the convertible bonds were converted into shares of the Company by the bondholders. The remained convertible bonds were redeemed by the Company on the maturity date.

As at 31 December 2016, included in other payables of (i) RMB9,550,000 (approximately HK$10,612,000) represent the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company; and (ii) RMB15,000,000 (approximately HK$16,669,000) represent an unsecured interest bearing loan from a fellow subsidiary of the Company and the interest rate of the loan is at the PRC benchmark rate plus 10% per annum.

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

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group committed capital expenditure of HK$7,778,000 (2015: Nil) in respect of acquisition of land and property, plant and equipment of which was contracted for but not provided in the Group's consolidated financial statements.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 194 employees, the remuneration packages of whom are reviewed annually with reference to the prevailing market condition.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with the code provisions as set out in the CG Code.

A. MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Code of Conduct and the Model Code throughout the year ended 31 December 2016.

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

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

B. BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

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

Executive Directors:

Mr. Ai Yilun (resigned as Executive Director and Chairman and appointed as honorary chairman on 13 September 2016, appointed as Executive Director and re-designated as Chairman on 20 October 2016)
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Li Jinying (appointed on 8 April 2016)
Mr. Li Feng (appointed on 19 August 2016)
Mr. Bai Xuefei (appointed on 13 September 2016) *(Co-Chief Executive Officer)*
Mr. Wu Yuanchen (appointed on 14 December 2016)
Mr. Gao Yongping (resigned on 8 April 2016)
Mr. Tang Jianhua (resigned on 8 April 2016)
Mr. Tang Chuanqing (resigned on 19 August 2016)
Ms. Ding Shuying (appointed on 8 April 2016 and resigned on 19 August 2016)
Mr. Fu Zhigang (resigned on 13 September 2016)
Mr. Li Chao (appointed on 13 September 2016 and resigned on 20 October 2016)
Mr. Chan Shu Kit (resigned on 14 December 2016)
Ms. Liang Rong (appointed on 19 August 2016 and resigned on 14 December 2016)

Independent Non-executive Directors:

Mr. Chan Ka Ling, Edmond
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)
Mr. Li Baolin (resigned on 8 April 2016)

None of the members of the Board is related to one another. The biographical information of the current directors are disclosed under the section headed "Biographical Details of the Directors" on pages 25 to 28 of the annual report for the year ended 31 December 2016.

During the year ended 31 December 2016, 29 board meetings were held with active participation of a majority of directors.

(1) Chairman, Chief Executive Officer and Co-Chief Executive Officers

The positions of Chairman, Chief Executive Officer and Co-Chief Executive Officers are held by different persons.

Mr. Ai Yilun acted as Chairman of the Company throughout the period from 1 January 2016 to 13 September 2016. He was appointed as honorary chairman of the Company on 13 September 2016 and re-designated as Chairman of the Company on 20 October 2016. Mr. Li Chao acted as Chairman of the Company from 13 September 2016 to 20 October 2016.

Mr. Fu Zhigang resigned as Chief Executive Officer of the Company on 13 September 2016. Mr. Li Chao and Mr. Zhang Rui were appointed as Co-Chief Executive Officers of the Company on 13 September 2016. Mr. Li Chao resigned and Mr. Bai Xuefei was appointed as Co-Chief Executive Officer on 20 October 2016. As at 31 December 2016, Mr. Zhang Rui and Mr. Bai Xuefei were the Co-Chief Executive Officers of the Company.

The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer and Co-Chief Executive Officers focus on the Company's business development and daily management and operations generally.

(2) Independent Non-executive Directors

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

(3) Directors' Re-election

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

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

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

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

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

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

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

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

(5) Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

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

For Mr. Li Jinying, Mr. Li Dakuan, Mr. Li Feng, Mr. Bai Xuefei and Mr. Wu Yuanchen who were appointed as directors of the Company on 8 April 2016, 19 August 2016, 13 September 2016 and 14 December 2016 respectively, they had attended a training on "Responsibilities of Directors of Listed Companies" conducted by lawyer.

Apart from the induction for the newly appointed directors, the directors of the Company also participate in appropriate continuous professional development to refresh their knowledge and skill during the year ended 31 December 2016, a summary of which is as follows:

Name of Director	Type of Training	Subject
Ai Yilun	A, B	1, 2
Jian Qing	B	1, 2
Chung Chi Shing	B	1, 2
Li Jinying	B	1, 2
Li Feng	B	1, 2
Bai Xuefei	A, B	1, 2
Wu Yuanchen	B	1, 2
Chan Ka Ling, Edmond	A, B	1, 2
Wang Jimin	B	1, 2
Tian Aiping	B	1, 2
Li Dakuan	B	1, 2

Notes:

A: Attending seminars, briefings, conferences or forums
B: Reading journals and updates

1: Corporate governance, legal and regulatory updates
2: Business and operations of the Company

C. BOARD COMMITTEES

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

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

Audit Committee:

Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)
Mr. Li Baolin (resigned on 8 April 2016)

Remuneration Committee:

Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Ai Yilun (resigned on 13 September 2016 and appointed on 20 October 2016)
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)
Mr. Li Baolin (resigned on 8 April 2016)
Mr. Li Chao (appointed on 13 September 2016 and resigned on 20 October 2016)
Mr. Chan Shu Kit (resigned on 14 December 2016)

Nomination Committee:

Mr. Ai Yilun *(Chairman)* (resigned on 13 September 2016 and appointed on 20 October 2016)
Ms. Jian Qing
Mr. Chan Ka Ling, Edmond
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)
Mr. Li Baolin (resigned on 8 April 2016)
Mr. Li Chao *(Chairman)* (appointed on 13 September 2016 and resigned on 20 October 2016)

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

(1) Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of internal audit function, audit plan and relationship with and appointment of external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2016, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, the effectiveness of the risk management and internal control systems and internal audit function, scope of work and appointment of external auditors and the other matters in accordance with the Audit Committee's written terms of reference.

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

(2) Remuneration Committee

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

During the year ended 31 December 2016, the Remuneration Committee held six meetings to review and make recommendation to the Board on the remuneration packages of the directors and other related matters in accordance with the Remuneration Committee's written terms of reference.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	4
HK$1,000,000–HK$1,500,000	2

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 and 11 to the consolidated financial statements respectively as set out on pages 75 to 77 of this annual report.

(3) Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

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

During the year ended 31 December 2016, the Nomination Committee held six meetings to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

(4) Corporate Governance Functions

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

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

D. ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

Name of Director	Board Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Independent Non-Executive Directors Meeting	General Meeting
Ai Yilun	24/28	5/5	5/5	N/A	1/1	3/3
Jian Qing	29/29	6/6	N/A	N/A	N/A	2/3
Chung Chi Shing	29/29	N/A	N/A	N/A	N/A	3/3
Li Jinying	15/22	N/A	N/A	N/A	N/A	0/2
Li Feng	7/11	N/A	N/A	N/A	N/A	0/1
Bai Xuefei	8/9	N/A	N/A	N/A	N/A	1/1
Wu Yuanchen	1/1	N/A	N/A	N/A	N/A	0/1
Chan Ka Ling, Edmond	24/29	5/6	5/6	2/2	1/1	2/3
Wang Jimin	25/29	6/6	6/6	2/2	1/1	1/3
Tian Aiping	24/29	5/6	5/6	2/2	1/1	1/1
Li Dakuan	17/22	3/4	3/4	1/1	N/A	1/2
Gao Yongping (resigned)	7/7	N/A	N/A	N/A	N/A	0/1
Tang Jianhua (resigned)	6/7	N/A	N/A	N/A	N/A	0/1
Tang Chuanqing (resigned)	14/18	N/A	N/A	N/A	N/A	1/1
Ding Shuying (resigned)	8/11	N/A	N/A	N/A	N/A	1/1
Fu Zhigang (resigned)	20/20	N/A	N/A	N/A	N/A	2/2
Li Chao (resigned)	1/1	0/0	0/0	N/A	N/A	0/0
Chan Shu Kit (resigned)	27/28	N/A	5/6	N/A	N/A	2/3
Liang Rong (resigned)	2/10	N/A	N/A	N/A	N/A	0/0
Li Baolin (resigned)	6/7	2/2	2/2	1/1	1/1	0/1

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of Executive Directors during the year ended 31 December 2016.

E. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 32 to 36.

F. AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2016 amounted to HK$1,630,000 and HK$160,000 respectively.

G. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology, etc..

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

The Company has engaged an external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. In this connection, the internal audit function examined the risk management and internal control systems and provided a report on its findings and recommendations for improvement to the Audit Committee and the management. The internal audit report has been endorsed by the Audit Committee and the management is required to establish remedial plans and take required actions to rectify those internal control deficiencies as soon as possible and before the target deadlines. Subsequent review will be performed by the internal audit function to monitor the implementation of those agreed recommendations and to report the results of the follow-up review to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2016, and considered that the identified financial, operational and control areas have to be rectified and strengthened in order to enhance the overall effectiveness of the risk management and internal control systems of the Company. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been established to ensure that unauthorized access and use of inside information are prohibited.

H. SHAREHOLDERS' RIGHTS

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

(1) Convening a Special General Meeting by Shareholders

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

(2) Putting Forwards Proposals at General Meeting

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

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

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

(3) Putting Forwards Enquiries to the Board

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

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

(4) Contact Details

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

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

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

I. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

During the year ended 31 December 2016, there was no significant change in the Company's constitutional documents, and these documents are available on the websites of the Company and of the Stock Exchange.

Directors' Report

The directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries and associates are set out in notes 22 and 23 to the consolidated financial statements respectively. On 28 December 2016, the Company's disposal of its interests in the entire issued share capital of Hurray Enterprises Limited, Tack Hsin (BVI) Holdings Limited and Tack Hsin International Limited was completed. This disposal involved the disposal of the Group's interests in the business segments of restaurant, property and hotel and the Company would focus on its new energy operations in the PRC.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2016 and the financial position of the Company and the Group as at that date are set out in the consolidated financial statements on pages 37 to 113.

The Board did not recommend payment of a final dividend for the year ended 31 December 2016 (for the year ended 31 December 2015: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 114. This summary does not form part of the audited consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 are provided in the section headed "Business Review" of Management Discussion and Analysis.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group during the year ended 31 December 2016 are set out in notes 17 and 18 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2016 are set out in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended).

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales for the year ended 31 December 2016 attributable to the Group's major customers are as follows:

Sales	Percentage of the total sales accounted for
— the largest customer	24%
— five largest customers combined	73%

The percentages of purchases for the year ended 31 December 2016 attributable to the Group's major suppliers are as follows:

Purchases	Percentage of the total purchases accounted for
— the largest supplier	44%
— five largest suppliers combined	86%

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

DIRECTORS

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

Executive Directors:

Mr. Ai Yilun (resigned as Executive Director and Chairman and appointed as honorary chairman on 13 September 2016, appointed as Executive Director and re-designated as Chairman on 20 October 2016)
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Li Jinying (appointed on 8 April 2016)
Mr. Li Feng (appointed on 19 August 2016)
Mr. Bai Xuefei (appointed on 13 September 2016) *(Co-Chief Executive Officer)*
Mr. Wu Yuanchen (appointed on 14 December 2016)
Mr. Gao Yongping (resigned on 8 April 2016)
Mr. Tang Jianhua (resigned on 8 April 2016)
Mr. Tang Chuanqing (resigned on 19 August 2016)
Ms. Ding Shuying (appointed on 8 April 2016 and resigned on 19 August 2016)
Mr. Fu Zhigang (resigned on 13 September 2016)
Mr. Li Chao (appointed on 13 September 2016 and resigned on 20 October 2016)
Mr. Chan Shu Kit (resigned on 14 December 2016)
Ms. Liang Rong (appointed on 19 August 2016 and resigned on 14 December 2016)

Independent Non-executive Directors:

Mr. Chan Ka Ling, Edmond
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)
Mr. Li Baolin (resigned on 8 April 2016)

In accordance with Bye-laws 83(2) and 84(1) of the Company's Bye-laws, Mr. Ai Yilun, Ms. Jian Qing, Mr. Chung Chi Shing, Mr. Li Jinying, Mr. Li Feng, Mr. Bai Xuefei, Mr. Wu Yuanchen, Mr. Chan Ka Ling, Edmond, Mr. Wang Jimin, Mr. Tian Aiping and Mr. Li Dakuan, all of the directors of the Company, would retire at the forthcoming 2017 Annual General Meeting and that all the retiring directors, being eligible, would offer themselves for re-election at the meeting.

The Company has received annual confirmations of independence from each of Mr. Chan Ka Ling, Edmond, Mr. Wang Jimin, Mr. Tian Aiping and Mr. Li Dakuan, the Independent Non-executive Directors as at 31 December 2016.

DIRECTORS' SERVICE CONTRACTS

Mr. Ai Yilun, being the Chairman and an Executive Director of the Company, has a letter of appointment with the Company for a term of three years to 19 October 2019 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Ms. Jian Qing, being an Executive Director of the Company, has a service contract with the Company for a term of three years to 18 October 2018 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Chung Chi Shing, being an Executive Director of the Company, has a service contract with the Company for a term of three years to 30 November 2019 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Li Jinying, being an Executive Director of the Company, has a letter of appointment with the Company for a term of three years to 7 April 2019 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Li Feng, being an Executive Director of the Company, has a letter of appointment with the Company for a term of three years to 18 August 2019 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Bai Xuefei, being an Executive Director and a Co-Chief Executive Officer of the Company, has a letter of appointment with the Company for a term of three years to 12 September 2019 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Wu Yuanchen, being an Executive Director of the Company, has a letter of appointment with the Company for a term of three years to 13 December 2019 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Chan Ka Ling, Edmond, being an Independent Non-executive Director of the Company, has a letter of appointment with the Company for a term of three years to 31 March 2019 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Wang Jimin, being an Independent Non-executive Director of the Company, has a letter of appointment with the Company for a term of three years to 27 February 2020 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Tian Aiping, being an Independent Non-executive Director of the Company, has a letter of appointment with the Company for a term of three years to 13 July 2018 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Li Dakuan, being an Independent Non-executive Director of the Company, has a letter of appointment with the Company for a term of three years to 7 April 2019 and is subject to retirement and is eligible to re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 43 to the consolidated financial statements, no Director and no entity connected with any Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 December 2016, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, the persons had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
中國核工業建設集團公司 (China Nuclear Engineering & Construction Corporation*) *(note 1)*	Interest of controlled corporations	400,000,000	35.30%
ZOC Investment Co., Ltd. *(note 1)*	Interest of controlled corporation	400,000,000	35.30%
China He Investment (Hong Kong) Company Limited *(note 1)*	Beneficial owner	400,000,000	35.30%
Zhao Xu Guang *(note 2)*	Interest of controlled corporations	84,676,000	7.47%
Prosper Alliance Investments Limited *(note 2)*	Beneficial owner	60,000,000	5.29%
Chan Shu Kit *(note 3)*	Interest of controlled corporation	77,240,000	6.81%
Hoylake Holdings Limited *(note 3)*	Beneficial owner	77,240,000	6.81%
Cheung Mui *(note 4)*	Interest of controlled corporation	60,000,000	5.29%
Grand Honest Limited *(note 4)*	Beneficial owner	60,000,000	5.29%

Notes:

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

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

3. Hoylake Holdings Limited is wholly-owned by Chan Shu Kit and he is deemed to be interested in its holding of 77,240,000 shares of the Company.

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

* *for identification purpose only*

Save as disclosed above, as at 31 December 2016, no person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Name	Age	Position held	Business experience
Mr. Ai Yilun	47	Chairman and Executive Director	Mr. Ai joined the Company on 27 December 2013. He has obtained a doctorate degree in World Economics from Jilin University in the People's Republic of China (the "**PRC**"). He is currently the general manager of ZOC Investment Co., Ltd. ("**ZOC Investment**"), a controlling shareholder of the Company. Mr. Ai had previously held different positions including the chairman and general manager of 北京中經科環質量認證有限公司 (transliterated as Beijing Zhongjing Kehuan Quality Certification Co., Ltd.), the secretary of the Board of Directors of 北京中核投資有限公司 (transliterated as Beijing Zhong He Investment Co., Ltd.), the vice general manager of ZOC Investment and the general manager of 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Co., Ltd.).
Ms. Jian Qing	45	Executive Director	Ms. Jian joined the Company on 19 October 2009 and has been involved in the identifying suitable investments opportunities for the Company via her business network. Ms. Jian graduated from Jilin University in the PRC with a bachelor's degree in Economics. She also holds a master's degree in Business Administration from the Lawrence Technology University in the United States. She has more than 19 years of experience in different areas of securities and financial management, which was gained from working at a number of securities companies in the PRC.
Mr. Chung Chi Shing	51	Executive Director	Mr. Chung joined the Company on 1 December 2010. He has more than 23 years of working experience and is currently a non-executive director of Value Convergence Holdings Limited (stock code: 821) and a general manager of several subsidiaries of GCL New Energy Holdings Limited (formerly known as "Same Time Holdings Limited") (stock code: 451). He was also an executive director and chief executive officer of Central China Enterprises Limited (stock code: 351) from 2000 to 2004, a director of a trading company of chemical products from 2005 to 2006, a director of Vega Science & Technology (HK) Co., Limited (printed circuit board drilling machine manufacturer) from 2007 to 2012, and an executive director of GCL New Energy Holdings Limited from 2011 to 2014.

Name	Age	Position held	Business experience
Mr. Li Jinying	60	Executive Director	Mr. Li joined the company on 8 April 2016. He graduated from Tsinghua University with a bachelor's degree in Applied Chemistry in 1982 and subsequently acquired a master's degree in Science at 中國原子能科學研究院 (transliterated as China Institute of Atomic Energy) ("**CIAE**") in 1991. He has been engaged in nuclear scientific research and management for more than 30 years. Mr. Li is currently the deputy chief engineer of 中國核工業建設集團公司 (transliterated as China Nuclear Engineering & Construction Corporation) ("**CNEC**"). He was previously the deputy general manager of 華潤新能源有限公司 (transliterated as China Resources New Energy Co., Ltd.) from 2011 to 2015 and the chairman of each of 湖南桃花江核電有限公司 (transliterated as Hunan Taohuajiang Nuclear Power Co., Ltd.) and 河南南陽核電有限公司(transliterated as Henan Nanyang Nuclear Power Co., Ltd.) in 2010. He served as the director of the Planning Department in 中國核工業集團公司 (transliterated as China National Nuclear Corporation) from 2005 to 2009 and was appointed as the vice-president of CIAE from 2000 to 2004.
Mr. Li Feng	41	Executive Director	Mr. Li joined the company on 19 August 2016. He graduated from 湖北財經高等專科學校(transliterated as Hubei College of Finance and Economics) with a diploma in audit studies in 1996. Mr. Li obtained a master's degree in Accounting from 武漢大學 (transliterated as Wuhan University) in 2007. Mr. Li is a senior accountant, a certified public accountant and a certified public valuer in the PRC. Mr. Li has been the director and the chief accountant of ZOC Investment, a controlling shareholder of the Company, since April 2014 and May 2016 respectively. He served successively as the division head, deputy head of the finance department and deputy head of the finance and assets management of CNEC from January 2011 to May 2016. Prior to joining CNEC, Mr. Li served successively as auditor, project manager, deputy department manager and department manager of 大信會計師事務所 (transliterated as WUYIGE Certified Public Accountants LLP) from December 2003 to January 2011. From December 1996 to December 2003, Mr. Li was an officer of 湖北省襄樊汽車產業經濟技術開發總公司 (transliterated as Hubei Xiangfan Automotive Industry Technology Development Company Limited).
Mr. Bai Xuefei	40	Executive Director and Co-Chief Executive Officer	Mr. Bai joined the company on 13 September 2016. He graduated from China Agricultural University (中國農業大學), majoring in Accounting and received a bachelor's degree in Economics in 1999. Mr. Bai obtained a master's degree in Laws from Heilongjiang University (黑龍江大學) in 2003. Mr. Bai has been the deputy general manager of ZOC Investment since July 2016. Prior to that, during the period from May 2013 to July 2016, he served as the head of the board office of 中國核工業建設股份有限公司 (transliterated as China Nuclear Engineering Corporation Ltd) ("**CNECL**"), the A shares of which are listed on Shanghai Stock Exchange. From November 2004 to May 2013, Mr. Bai was the head of the investor relations division of China Shenhua Energy Company Limited, the shares of which are listed on Shanghai Stock Exchange and Hong Kong Stock Exchange. From June 2003 to November 2004, Mr. Bai served as an officer of the policies and regulations research division of 神華集團有限責任公司 (transliterated as Shenhua Group Company Limited).

Name	Age	Position held	Business experience
Mr. Wu Yuanchen	35	Executive Director	Mr. Wu joined the company on 14 December 2016. He graduated from the 西安交通大學 (transliterated as the Xi'an Jiaotong University), majoring in Nuclear Engineering and technology and received a bachelor's degree in Engineering in 2005. He further obtained a master's degree in Management from 中國人民大學 (transliterated as Remin University of China) in 2011. Mr. Wu is an engineer. Mr. Wu has been the assistant to general manager of ZOC Investment since August 2016. He served as the head of the secretarial division of the general office of CNEC from March 2016 to August 2016. Prior to that, from March 2011 to March 2016, Mr. Wu served as division head of the general office of CNEC and director (section director level) of the president office of CNECL. From October 2007 to June 2014, he held the position of the secretary to the board of 中核能源科技有限公司 (transliterated as China Nuclear Energy Science and Technology Co., Ltd.). During the period from September 2007 to January 2011, Mr. Wu served as an officer of the general office of CNEC.
Mr. Chan Ka Ling, Edmond	58	Independent Non-executive Director	Mr. Chan is a partner of Chan and Chan, Certified Public Accountants. He is a Certified Public Accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also a director of Kreston CAC CPA Limited. Mr. Chan is an independent non-executive director of Loco Hong Kong Holdings Limited (stock code: 8162).
Mr. Wang Jimin	52	Independent Non-executive Director	Mr. Wang joined the Company on 28 February 2014. He obtained a master's degree in Economics from Central University of Finance and Economics in the PRC. He has been a partner of an accountant firm, Asia Pacific (Group) CPAs, in Shenzhen, the PRC, specializing in corporate listings, capital operation and mergers and acquisitions, since 2002. Prior to this, Mr. Wang was a manager of Finance and Accounting Division of Guangdong International Trust and Investment Corporation, Shenzhen Branch from May 1996 to October 2002. He was also a project manager and assistant manager in 深圳蛇口信德會計師事務所 (transliterated as ShenzhenShekou XinDe Certified Public Accountants) from October 1993 to May 1996 and worked with 吉林省信託投資公司 (transliterated as Jilin Province Trust and Investment Company) from December 1991 to October 1993.

Name	Age	Position held	Business experience
Mr. Tian Aiping	65	Independent Non-executive Director	Mr. Tian joined the Company on 14 July 2015. He completed 第一期稽查特派員專業(會計與財務管理)人選培訓班 (transliterated as Inspector Training Programme in Accounting and Financial Management) in Tsinghua University's School of Economics and Management in 1998 and graduated from 包頭鋼鐵學院 (transliterated as Baotou School of Steel and Iron) (now known as Inner Mongolia University of Science & Technology) in the PRC in 1986. He is also qualified as a senior economist conferred by the Ministry of Metallurgical Industry of the PRC in 1996 and the supervisor of the key State-owned Large Enterprises conferred by the State-owned Assets Supervision and Administration Commission ("**SASAC**") in 2005. He is currently the general secretary of the Stainless Steel Council of China Special Steel Enterprises Association. Mr. Tian was previously the vice supervisor and the secretary of Party Branch of the SASAC of the State Council Office No.47. Prior to that, Mr. Tian held different positions including vice supervisor of 國務院稽查特派員總署第6辦事處 (transliterated as State Council Compliance Inspectors' General Office No. 6), vice commissioner and was later promoted to commissioner of the Metallurgical Industry Department of Taiyuan Iron & Steel (Group) Co., Ltd. Mr. Tian completed his retirement procedure with SASAC in 2011.
Mr. Li Dakuan	61	Independent Non- executive Director	Mr. Li joined the Company on 8 April 2016. He graduated from the 中共中央黨校函授學院 (transliterated as Correspondence College at the Party School of the Central Committee of Communist Party of China) in 1997. He is qualified as a senior economist in the PRC. Mr. Li Dakuan is currently the general manager of 秦山核電有限公司 (transliterated as Qinshan Nuclear Power Co., Ltd.), 核電秦山聯營有限公司 (transliterated as Nuclear Power Qinshan Joint Venture Co., Ltd.) and 秦山第三核電有限公司 (transliterated as Third Qinshan Nuclear Power Co., Ltd.) as well as the 秦山核電基地 (transliterated as Nuclear Power Base). He previously worked for Third Qinshan Nuclear Power Co., Ltd. for more than 12 years starting from November 1998, during which he had held the positions of general manager, party secretary, discipline secretary and labour personnel director. Prior to that, he had served as the deputy director of the Labour Personnel Department of Qinshan Nuclear Power Co., Ltd. from June 1997 to November 1998.

CONTINUING CONNECTED TRANSACTIONS

Reference were made to the announcement of the Company dated 13 November 2015 (the "**Announcement**") and the circular of the Company dated 2 December 2015 (the "**Circular**") in relation to, amongst other things:

1. Provision of procurement, construction, installation and related services in respect of the Moyu Phase II Solar Project to 新彊新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited):

   – installation work relating to solar cell component frames;

   – construction work such as cable, tower, electrical equipment, underground facilities, roads, fence, earthwork, greening illumination, video surveillance, prevention of fire, flood, security, operation control system, communications, building construction and decoration;

   – provision of services such as testing of equipment, third party system compatibility testing and modification; and

   – the installation and operation of equipment in relation to environmental and water protection.

2. Provision of engineering design, procurement, construction, installation and related services in respect of the Qiqihar Solar Project to 中核齊齊哈爾太陽能發電有限公司 (transliterated as Zhong He Qiqihar Solar Power Generation Company Limited):

   – installation work relating to solar cell component frames;

   – construction work such as cable, tower, electrical equipment, underground facilities, roads, fence, earthwork, greening illumination, video surveillance, prevention of fire, flood, security, operation control system, communications, building construction and decoration;

   – provision of services such as testing of equipment, third party system compatibility testing and modification; and

   – the installation and operation of equipment in relation to environmental and water protection.

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

The aggregate annual values of the continuing connected transactions have not exceeded the maximum aggregate annual values disclosed in the Announcement and Circular in respect of each of the continuing connected transactions.

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

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

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

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

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board of Directors and confirmed that for the year ended 31 December 2016 the Continuing Connected Transactions (i) have received approval of the Board of Directors of the Company; (ii) are in accordance with the pricing policies of the Company, where applicable; (iii) have been entered into in accordance with the terms of the agreements governing the transactions; and (iv) have not exceeded the respective cap amounts for the year ended 31 December 2016 as set out above in respect of each of the Continuing Connected Transactions. A copy of the auditor's letter has been provided to the Stock Exchange.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

At the annual general meeting of the Company held on 20 May 2016, BDO Limited retired as the auditor of the Company and was re-appointed as the new auditor of the Company.

The consolidated financial statements have been audited by BDO Limited who would retire as auditor of the Company at the conclusion of the 2017 annual general meeting to be held on 19 May 2017 and will offer itself for re-appointment.

ON BEHALF OF THE BOARD

Ai Yilun
Chairman

Hong Kong, 14 March 2017

Independent Auditor's Report

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Hong Kong

TO THE SHAREHOLDERS OF
CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Nuclear Energy Technology Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 37 to 113, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Revenue Recognition From EPC And Consultancy Segment

Refer to notes 6 and 7 to the consolidated financial statements and the accounting policies on pages 61-62.

Key audit matter	How the matter was addressed in our audit
The Group recognised revenue arising from the Engineering, Procurement and Construction ("**EPC**") and consultancy segment of HK$2,010,939,000 for the year ended 31 December 2016, of which majority of revenue is recognised from sales of goods of HK$1,520,137,000 and construction contract revenue of HK$482,251,000. The revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Where the outcome of a construction contract can be estimated reliably, revenue arising from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Determination of the timing of revenue recognition and stage of completion of the contract activity require significant management judgement. Revenue is also one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could recorded in the incorrect period or be subject to manipulation.	Our procedures in relation to a sample of revenue transactions arising from the sales of goods in EPC and consultancy segment included: • understanding and testing the key controls over the recognition of sales of goods; • checking the terms set out in the contract agreements; and assessing whether significant risks and rewards of ownership of the goods of the revenue recognised have been transferred to the customers by reviewing the relevant documents, including delivery notes and acknowledgement to receipts; • assessing whether specific revenue transactions around the financial year end had been recognised in the appropriate period in accordance with the terms of sales as set out in the contract agreements, by comparing the transactions selected with relevant underlying documentation, including goods delivery notes or confirmations from customers; and • inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation. Our procedures in relation to a sample of revenue transactions arising from the construction contract revenue in EPC and consultancy segment included: • understanding and testing the key controls over the recognition of construction contract revenue; • reading signed contract agreements to identify contractual arrangements; • obtaining evidence regarding the stage of completion of contract activity (including, where relevant, completion certificates and progress reports issued by architects appointed by customers and agreed between the Group and customers); • reconciling the amount of contract costs incurred by reference to the stage of completion of contract activity stated in progress reports; and • reconciling the amount of revenue recognised based on the proportion of contract costs incurred.

KEY AUDIT MATTERS (CONTINUED)

Impairment Of Property, Plant And Equipment

Refer to note 17 to the consolidated financial statements and the accounting policies on page 54.

Key audit matter	How the matter was addressed in our audit
The Group has property, plant and equipment of HK$282,330,000 as at 31 December 2016 relating to furniture and fixtures, electrical appliances, office equipment, motor vehicles, construction in progress and solar power plant. The majority of the Group's property, plant and equipment is represented by the solar power plant and construction in progress which amounted to HK$152,866,000 and HK$125,840,000, respectively. There is a risk that the carrying amount of such property, plant and equipment may be impaired. Management estimates the recoverable amount of property, plant and equipment based on value in use calculations using cash flow projections which require the use of assumptions and estimates, such as operating margins, growth rates and discount rates. Such judgement and estimates will impact the carrying amount of property, plant and equipment.	Our procedures in relation to management's impairment assessment included: • obtaining the value in use calculations of the recoverable amount of property, plant and equipment and assessing the appropriateness of the value in use calculations methodology adopted by management; • assessing the reasonableness of key assumptions and estimates such as operating margins, growth rates and discount rates used by the management in the value in use calculations, by challenging the operating margins and growth rates by comparing the current year actual results with the 2016 figures included in prior year forecast; and • assessing the adequacy of management's sensitivity calculations over the cash generating units.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate No. P06095

Hong Kong, 14 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	7	**2,041,543**	1,503,742
Other income and gains	7	**3,035**	2,012
Cost of inventories used		**(1,540,652)**	(1,259,729)
Construction costs		**(309,451)**	(134,698)
Staff costs		**(34,341)**	(21,037)
Depreciation		**(10,813)**	(1,551)
Other operating expenses		**(38,436)**	(35,663)
Finance costs	8	**(25,930)**	(23,364)
Gain on deemed disposal of an associate	23	**2,893**	2,712
Share of results of associates, net	23	**7,712**	7,655
Profit before income tax expense	9	**95,560**	40,079
Income tax expense	12	**(18,570)**	(12,210)
Profit for the year from continuing operations		**76,990**	27,869
Discontinued operations			
Profit/(loss) for the year from discontinued operations	14	**5,549**	(17,871)
Profit for the year		**82,539**	9,998
Other comprehensive income for the year, net of tax			
Item that will not be reclassified to profit or loss			
Loss on property revaluation		**(6)**	(58)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising during the year		**(43,365)**	(11,838)
Reclassification adjustments relating to foreign operations disposed of during the year		**30**	645
Share of other comprehensive income of associates		**(6,033)**	(2,245)
		(49,374)	(13,496)
Total comprehensive income for the year		**33,165**	(3,498)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Profit for the year attributable to:			
Owners of the Company			
Profit for the year from continuing operations		**73,022**	20,518
Profit/(loss) for the year from discontinued operations		**5,549**	(16,959)
Profit for the year attributable to owners of the Company		**78,571**	3,559
Non-controlling interests			
Profit for the year from continuing operations		**3,968**	7,351
Loss for the year from discontinued operations		**—**	(912)
Profit for the year attributable to non-controlling interests		**3,968**	6,439
		82,539	9,998
Total comprehensive income attributable to:			
Owners of the Company		**30,265**	(9,278)
Non-controlling interests		**2,900**	5,780
		33,165	(3,498)
Earnings per share from continuing and discontinued operations – basic and diluted (HK cent per share)	16	**6.93**	0.32
Earnings per share from continuing operations – basic and diluted (HK cent per share)	16	**6.44**	1.84

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

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	17	**282,330**	87,900
Investment property	18	**—**	38,000
Prepaid land lease payments	19	**2,261**	7,887
Available-for-sale investment	20	**—**	500
Interest in associates	23	**82,215**	82,192
Deferred tax assets, net	36	**—**	4,516
Finance lease receivables	29	**101,749**	—
Deposits	27	**27,781**	—
		496,336	220,995
Current assets			
Inventories	24	**415**	52,383
Trade and bills receivables	25	**1,286,161**	1,085,109
Loan receivable	26	**111,125**	—
Prepayments, deposits and other receivables	27	**112,677**	172,246
Amounts due from customers for contract work	28	**104,804**	262,476
Finance lease receivables	29	**12,743**	—
Tax prepayment		**—**	996
Cash and cash equivalents	30	**472,711**	310,851
		2,100,636	1,884,061
Less: Current liabilities			
Trade and bills payables	31	**1,317,043**	1,146,594
Other payables and accruals	32	**66,934**	191,775
Amounts due to customers for contract work	28	**11,016**	—
Provision for long service payments	34	**—**	3,484
Convertible bonds	35	**—**	286,842
Bank borrowings	33	**280,207**	—
Tax payable		**10,466**	—
		1,685,666	1,628,695
Net current assets		**414,970**	255,366
Total assets less current liabilities		**911,306**	476,361

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Less: Non-current liabilities			
Receipt in advance		**—**	1,070
Bank borrowings	33	**402,517**	—
Deferred tax liabilities, net	36	**—**	350
		402,517	1,420
Net assets		**508,789**	474,941
Capital and reserves			
Share capital	37	**113,309**	113,309
Reserves	39	**388,114**	361,056
Equity attributable to owners of the Company		**501,423**	474,365
Non-controlling interests		**7,366**	576
Total equity		**508,789**	474,941

On behalf of the directors

Mr. Chung Chi Shing
Director

Mr. Bai Xuefei
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Issued share capital HK$'000	Share premium HK$'000	Building revaluation reserve HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Convertible bonds reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	110,166	1,314,363	767	(1,876)	2,686	—	(1,018,582)	407,524	(10,050)	397,474
Profit for the year	—	—	—	—	—	—	3,559	3,559	6,439	9,998
Other comprehensive income for the year:										
Deficit arising from revaluation of buildings	—	—	(58)	—	—	—	—	(58)	—	(58)
Exchange differences on translation of foreign operations										
— Exchange differences arising during the year	—	—	—	(11,179)	—	—	—	(11,179)	(659)	(11,838)
— Adjustments relating to deemed disposal of an associate	—	—	—	645	—	—	—	645	—	645
Share of other comprehensive income of an associate	—	—	—	(2,245)	—	—	—	(2,245)	—	(2,245)
Total comprehensive income for the year	—	—	(58)	(12,779)	—	—	3,559	(9,278)	5,780	(3,498)
Acquire interest in non controlling interest	—	—	—	17	—	—	(6,165)	(6,148)	4,846	(1,302)
Issue of convertible bonds	—	—	—	—	—	33,075	—	33,075	—	33,075
Issue of share capital upon conversion of convertible bonds	3,143	51,857	—	—	—	(5,808)	—	49,192	—	49,192
At 31 December 2015 and 1 January 2016	113,309	1,366,220	709	(14,638)	2,686	27,267	(1,021,188)	474,365	576	474,941
Profit for the year	—	—	—	—	—	—	78,571	78,571	3,968	82,539
Other comprehensive income for the year:										
Deficit arising from revaluation of buildings	—	—	(6)	—	—	—	—	(6)	—	(6)
Exchange differences on translation of foreign operations										
— Exchange differences arising during the year	—	—	—	(42,297)	—	—	—	(42,297)	(1,068)	(43,365)
— Adjustments relating to deemed disposal of an associate	—	—	—	30	—	—	—	30	—	30
Share of other comprehensive income of associates	—	—	—	(6,033)	—	—	—	(6,033)	—	(6,033)
Total comprehensive income for the year	—	—	(6)	(48,300)	—	—	78,571	30,265	2,900	33,165
Deemed acquisition of interest in non-controlling interest	—	—	—	—	—	—	(3,207)	(3,207)	3,207	—
Additional share capital contributed by non-controlling interest	—	—	—	—	—	—	—	—	683	683
Redemption of convertible bonds	—	—	—	—	—	(27,267)	27,267	—	—	—
Disposal of discontinued operations	—	—	(703)	—	—	—	703	—	—	—
Balance at 31 December 2016	113,309	1,366,220	—	(62,938)	2,686	—	(917,854)	501,423	7,366	508,789

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit before income tax expense from continuing operations		**95,560**	40,079
Profit/(loss) before income tax expense from discontinued operations		**3,891**	(17,985)
		99,451	22,094
Adjustments for:			
Finance costs	8	**25,930**	23,364
Interest income		**(1,431)**	(1,695)
Depreciation	17	**14,191**	8,166
Amortisation of prepaid land lease payments		**587**	101
Share of results of associates		**(7,712)**	(7,655)
Loss on written off of property, plant and equipment	9	**454**	44
Gain on deemed disposal of an associate		**(2,893)**	(2,712)
Gain on disposal of subsidiaries	14	**(21,959)**	—
Operating cash flow before working capital changes		**106,618**	41,707
Decrease/(increase) in inventories		**50,114**	(44,169)
Increase in trade and bills receivables		**(201,572)**	(1,033,316)
Increase in loan receivable		**(111,125)**	—
Decrease/(increase) in prepayments, deposits and other receivables		**48,411**	(134,893)
Decrease/(increase) in amounts due from customers for contract work		**157,672**	(206,711)
Increase in finance lease receivables		**(114,492)**	—
Increase in trade and bills payables		**174,872**	1,076,489
(Decrease)/increase in other payables and accruals		**(70,867)**	91,678
Increase in amounts due to customers for contract work		**11,016**	—
Decrease in receipt in advance		**(520)**	(60)
(Decrease)/increase in provision for long service payments		**(172)**	82
Cash generated from/(used in) operations		**49,955**	(209,193)
Profits tax paid		**(7,335)**	(13,270)
Net cash inflows/(outflows) from operating activities		**42,620**	(222,463)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(236,630)**	(77,243)
Proceeds from disposal of property, plant and equipment		**105**	—
Interest received		**1,431**	1,695
Prepaid land lease payments		**(2,017)**	(1,293)
Investment in subsidiaries		**—**	(2,637)
Net proceeds from disposal of subsidiaries	38	**40,101**	—
Investment in an associate		**—**	(5,904)
Dividend received from an associate	23	**4,579**	641
Repayment from/(loan to) immediate controlling shareholder		**15,600**	(15,600)
Net cash outflows from investing activities		**(176,831)**	(100,341)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Interest paid		**(8,922)**	(368)
Redemptions of convertible bonds	35	**(303,850)**	—
Repayment to a non-controlling interest shareholder		**—**	(18,685)
(Repayment to)/borrowing from related companies	32	**(44,471)**	60,245
Proceeds from issuance of convertible bonds	35	**—**	346,113
Proceeds from bank borrowings		**686,591**	—
Repayment of bank borrowings		**(3,867)**	—
Contribution by non-controlling interest		**683**	—
Net cash inflows from financing activities		**326,164**	387,305
Net increase in cash and cash equivalents		**191,953**	64,501
Cash and cash equivalents at the beginning of the year		**310,851**	252,882
Effect of foreign exchange rate changes		**(30,093)**	(6,532)
Cash and cash equivalents at the end of the year		**472,711**	310,851
Analysis of balances of cash and cash equivalents			
Cash and bank balances	30	**472,711**	283,833
Time deposits	30	**—**	27,018
		472,711	310,851

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

1. CORPORATE INFORMATION

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

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 – Disclosure Initiative

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

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

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2016 (Continued)

Amendments to HKAS 16 and HKAS 41 – Agriculture: Bearer Plants

The amendments define bearer plants and require biological assets that meet the definition to be accounted for as property, plant and equipment in accordance with HKAS 16. The agricultural produce of bearer plants remains within the scope of HKAS 41. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group has no bearer plants.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combinations and basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

The building component of owner-occupied leasehold properties is stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the building revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	2%
Furniture and fixtures	6 – 20%
Air-conditioning plant	15 – 20%
Electrical appliances	10 – 33%
Office equipment	20%
Motor vehicles	20%
Solar power plant	7%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Kitchen utensils, linen and uniforms

No depreciation is provided on the initial purchase of kitchen utensils, linen and uniforms which are capitalised at cost. The cost of subsequent replacement of these items is recognised as an expense in profit or loss in the financial period in which such expenditure is incurred.

(h) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment/investment property under cost model;
- interests in leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and joint ventures (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(d)), 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 or cash generating unit.

(k) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

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

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

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

Loans and receivables

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

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(ii) Impairment loss on financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

For Loans and receivables or Held-to-maturity investments

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

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

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

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(iv) Convertible loan notes

Convertible loan notes contain liability and equity components

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share capital). Where the option remains unexercised at the expiry dates, the balance stated in convertible loan notes equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Convertible loan notes contain liability component and conversion option derivative

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(iv) Convertible loan notes (Continued)

Convertible loan notes contain liability component and conversion option derivative (Continued)

When the notes are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the notes are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity/conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity/the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line or business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or its subsidiary acquired exclusively with a view of resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss and other comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less cost to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(m) Construction contracts

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

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

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

Where 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

(p) Revenue recognition

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

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

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

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

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

(e) sales of electricity is recognised based on the units of electricity sold to customers during the year at an agreed tariff rate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (Continued)

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

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

(q) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Foreign currency

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

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

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

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

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

(s) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (Continued)

(ii) Pension Scheme

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

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

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Income taxes

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

(b) Estimated useful lives and impairment of property, plant and equipment

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

(c) Construction contracts

As explained in note 4(p), revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 28 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2016 was approximately HK$Nil (2015: HK$3,030,000). The amount of unrecognised tax losses at 31 December 2016 was approximately HK$5,770,000 (2015: HK$154,916,000). Further details are contained in note 36 to the consolidated financial statements.

6. SEGMENT REPORTING

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities. No operating segments have been aggregated to form the reporting segments.

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

The Group has seven (2015: seven) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

6. SEGMENT REPORTING (CONTINUED)

- the restaurant segment comprises the Group's restaurant operations;
- the property segment comprises the Group's property investments;
- the hotel segment comprises the Group's hotel operations;
- the financing segment comprises the Group's financing operations;
- the solar power generation segment comprises the Group's solar power generation operations;
- the Engineering, Procurement and Construction ("**EPC**") and consultancy segment comprises the Group's design and consulting services, engineering, procurement and construction operations relating to photovoltaic power plant; and
- the all other segments comprise the Group's corporate management, investment and treasury services.

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segments' results that are used by the chief operating decision-maker for assessment of segment performance.

Except for the Group's revenue from external customers of approximately HK$2,041,543,000 from continuing operations (2015: HK$1,503,742,000), which is derived from the Group's operations in the PRC, all of the Group's revenue from external customers is derived from the Group's operations in Hong Kong (place of domicile). Except for the interest in associates amounted to approximately HK$82,215,000 as at 31 December 2016 (2015: HK$82,192,000), property, plant and equipment amounted to approximately HK$282,074,000 as at 31 December 2016 (2015: HK$69,344,000) and prepaid land lease payments amounted to approximately HK$2,261,000 as at 31 December 2016 (2015: HK$1,293,000) are located in the PRC, all other non-current assets, other than financial instruments, are located in Hong Kong.

Included in revenue arising from EPC and consultancy services (new energy operations) of approximately HK$481,928,000 and HK$440,393,000 (2015: HK$300,512,000 and HK$232,572,000) arose from the Group's first and second largest customers. For the year ended 31 December 2016, except for the above first and second largest customers, one customer of the Group's EPC and consultancy segment amounted to HK$334,903,000, which represents 10% or more of the Group's revenues. No other single customers contributed 10% or more to the Group's revenue for the year ended 31 December 2015.

6. SEGMENT REPORTING (CONTINUED)

	Continuing Operations					Discontinued Operations				
	Financing HK$'000	Solar Power Generation HK$'000	EPC and Consultancy HK$'000	All other Segments HK$'000	Total HK$'000	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	Total HK$'000	Total HK$'000
Year ended 31 December 2016										
Segment revenue:										
Sales to external customers	5,678	24,926	2,010,939	—	2,041,543	154,893	426	18,443	173,762	2,215,305
Intersegment sales	9,242	—	—	—	9,242	10,267	18,768	—	29,035	38,277
Other income and gains	—	—	1,690	—	1,690	3,566	—	1,807	5,373	7,063
Intersegment other income and gains	—	—	—	—	—	—	—	—	—	—
Reportable segment revenue	14,920	24,926	2,012,629	—	2,052,475	168,726	19,194	20,250	208,170	2,260,645
Reconciliation:										
Elimination of intersegment sales					(9,242)				(29,035)	(38,277)
Elimination of intersegment other income and gains					—				—	—
Consolidated revenue					2,043,233				179,135	2,222,368
Segment results	(971)	14,786	114,976	(19,251)	109,540	(14,224)	(435)	(3,495)	(18,154)	91,386
Reconciliation:										
Gain on deemed disposal of an associate					2,893				—	2,893
Interest income					1,345				86	1,431
Finance costs					(25,930)				—	(25,930)
Share of results of associates, net					7,712				—	7,712
Profit/(loss) before taxation					95,560				(18,068)	77,492
Income tax expense					(18,570)				1,658	(16,912)
Profit/(loss) for the year					76,990				(16,410)	60,580

6. SEGMENT REPORTING (CONTINUED)

	Continuing Operations					Discontinued Operations				
	Financing	Solar Power Generation	EPC and Consultancy	All other Segments	Total	Restaurant	Property	Hotel	Total	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2016										
Segment assets	483,657	437,504	1,493,607	99,989	2,514,757	—	—	—	—	2,514,757
Reconciliation:										
Unallocated assets					82,215				—	82,215
Total assets					2,596,972				—	2,596,972
Segment liabilities	353,334	281,967	1,019,495	433,387	2,088,183	—	—	—	—	2,088,183
Reconciliation:										
Unallocated liabilities					—				—	—
Total liabilities					2,088,183				—	2,088,183
Other segment information										
Depreciation	77	9,650	1,029	57	10,813	2,862	328	188	3,378	14,191
Recognition of prepaid land lease payments	—	486	—	—	486	—	101	—	101	587
Additions to property, plant and equipment	480	231,050	4,832	49	236,411	90	—	129	219	236,630
Written off of property, plant and equipment	45	—	120	289	454	—	—	—	—	454

Included in the unallocated assets, there are interest in associates amounted to approximately HK$82,215,000. Details of the interest in associates were set out in note 23.

6. SEGMENT REPORTING (CONTINUED)

	Continuing Operations					Discontinued Operations				
	Financing HK$'000	Solar Power Generation HK$'000	EPC and Consultancy HK$'000	All other Segments HK$'000	Total HK$'000	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	Total HK$'000	Total HK$'000
Year ended 31 December 2015										
Segment revenue:										
Sales to external customers	—	—	1,503,742	—	1,503,742	152,286	—	20,302	172,588	1,676,330
Intersegment sales	950	—	2,494	7,288	10,732	—	24,853	—	24,853	35,585
Other income and gains	—	—	520	21	541	1,684	—	1,745	3,429	3,970
Intersegment other income and gains	—	—	—	—	—	—	—	—	—	—
Reportable segment revenue	950	—	1,506,756	7,309	1,515,015	153,970	24,853	22,047	200,870	1,715,885
Reconciliation:										
Elimination of intersegment sales					(10,732)				(24,853)	(35,585)
Elimination of intersegment other income and gains					—				—	—
Consolidated revenue					1,504,283				176,017	1,680,300
Segment results	235	—	65,844	(14,474)	51,605	(18,781)	(5,043)	5,615	(18,209)	33,396
Reconciliation:										
Gain on deemed disposal of an associate					2,712				—	2,712
Interest income					1,471				224	1,695
Finance costs					(23,364)				—	(23,364)
Share of results of associates, net					7,655				—	7,655
Profit/(loss) before taxation					40,079				(17,985)	22,094
Income tax (expense)/credit					(12,210)				114	(12,096)
Profit/(loss) for the year					27,869				(17,871)	9,998

6. SEGMENT REPORTING (CONTINUED)

	Continuing Operations					Discontinued Operations				
	Financing HK$'000	Solar Power Generation HK$'000	EPC and Consultancy HK$'000	All other Segments HK$'000	Total HK$'000	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	Total HK$'000	Total HK$'000
At 31 December 2015										
Segment assets	71,646	93,823	1,626,408	102,764	1,894,641	63,900	53,999	5,808	123,707	2,018,348
Reconciliation:										
Unallocated assets					82,192				4,516	86,708
Total assets					1,976,833				128,223	2,105,056
Segment liabilities	67	63	1,322,055	(70,283)	1,251,902	87,177	79	3,765	91,021	1,342,923
Reconciliation:										
Unallocated liabilities					286,842				350	287,192
Total liabilities					1,538,744				91,371	1,630,115
Other segment information										
Depreciation	—	—	1,050	501	1,551	5,713	331	571	6,615	8,166
Recognition of prepaid land lease payments	—	—	—	—	—	—	101	—	101	101
Additions to property, plant and equipment	180	68,043	482	114	68,819	8,219	188	17	8,424	77,243
Written off of property, plant and equipment	—	—	44	—	44	—	—	—	—	44

Included in the unallocated assets, there are interest in associates amounted to approximately HK$82,192,000. Details of the interest in associates were set out in note 23. Included in the unallocated liabilities, there are convertible bonds amounted to approximately HK$286,842,000.

7. REVENUE, OTHER INCOME AND GAINS

Revenue includes the net invoiced value of goods sold, after allowances for returns and trade discounts, revenue received and receivable from engineering, procurement and construction works, financing operations, solar power generation operations, restaurant operations and hotel operations.

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

	2016 HK$'000	2015 HK$'000
Revenue:		
Continuing operations		
Sales of goods	**1,520,137**	1,081,178
Construction contract revenue	**482,251**	373,402
Service income	**8,551**	49,162
Finance lease interest income	**4,764**	—
Loan interest income	**914**	—
Sale of electricity	**24,926**	—
	2,041,543	1,503,742
Discontinued operations		
Receipts from restaurant operations	**154,893**	152,286
Hotel operations	**18,869**	20,302
	173,762	172,588
	2,215,305	1,676,330
Other income and gains:		
Continuing operations		
Bank interest income	**1,345**	1,471
Others	**1,690**	541
	3,035	2,012

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Continuing operations		
Imputed interest on convertible bonds (note 35)	**17,008**	22,996
Interest on bank and other borrowings	**8,922**	368
	25,930	23,364

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2016 HK$'000	2015 HK$'000
Continuing operations		
Minimum lease payments under operating leases:		
Land and buildings	**6,588**	4,432
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**30,959**	19,320
Pension scheme contributions	**3,382**	1,717
Total staff costs	**34,341**	21,037
Amortisation of prepaid land lease payments*	**486**	—
Written off of property, plant and equipment*	**454**	44
Auditor's remuneration*	**936**	701

* *Items included in other operating expenses*

10. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	2016	2015
	HK$'000	HK$'000
Fees	**601**	601
Other emoluments:		
Salaries, allowances and benefits in kind	**3,255**	3,350
Pension scheme contributions	**50**	42
	3,906	3,993

a. Independent non-executive directors

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

	2016	2015
	HK$'000	HK$'000
Mr. Chan Ka Ling, Edmond	**150**	150
Mr. Li Baolin (resigned on 8 April 2016)	**41**	150
Mr. Wang Jimin	**150**	150
Mr. Chen Ying (resigned on 14 July 2015)	**—**	81
Mr. Tian Aiping (appointed on 14 July 2015)	**150**	70
Mr. Li Dakuan (appointed on 8 April 2016)	**110**	—
	601	601

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2016 (2015: Nil).

10. DIRECTORS' EMOLUMENTS (CONTINUED)

b. Executive directors

	The Group			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016				
Executive directors:				
Mr. Ai Yilun *(Chairman)* (resigned as executive director and Chairman and appointed as honorary chairman on 13 September 2016, appointed as executive director and re-designated as Chairman on 20 October 2016)	—	—	—	—
Mr. Chan Shu Kit *(vice-chairman)* (resigned on 14 December 2016)	—	1,008	—	1,008
Mr. Gao Yongping (resigned on 8 April 2016)	—	—	—	—
Mr. Fu Zhigang *(chief executive officer)* (resigned on 13 September 2016)	—	567	14	581
Ms. Jian Qing	—	720	18	738
Mr. Chung Chi Shing	—	960	18	978
Mr. Tang Chuanqing (resigned on 19 August 2016)	—	—	—	—
Mr. Tang Jianhua (resigned on 8 April 2016)	—	—	—	—
Mr. Li Jinying (appointed on 8 April 2016)	—	—	—	—
Mr. Li Feng (appointed on 19 August 2016)	—	—	—	—
Mr. Bai Xuefei *(co-chief executive officer)* (appointed on 13 September 2016)	—	—	—	—
Mr. Wu Yuanchen (appointed on 14 December 2016)	—	—	—	—
Ms. Ding Shuying (appointed on 8 April 2016 and resigned on 19 August 2016)	—	—	—	—
Mr. Li Chao *(Chairman)* (appointed on 13 September 2016 and resigned on 20 October 2016)	—	—	—	—
Ms. Liang Rong (appointed on 19 August 2016 and resigned on 14 December 2016)	—	—	—	—
	—	3,255	50	3,305

10. DIRECTORS' EMOLUMENTS (CONTINUED)

b. Executive directors (Continued)

	The Group			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2015				
Executive directors:				
Mr. Ai Yilun *(chairman)*	—	—	—	—
Mr. Chan Shu Kit *(vice-chairman)*	—	1,008	—	1,008
Mr. Han Naishan (resigned on 9 March 2015)	—	—	—	—
Mr. Gao Yongping	—	—	—	—
Mr. Fu Zhigang *(chief executive officer)*	—	662	6	668
Ms. Jian Qing	—	720	18	738
Mr. Chung Chi Shing	—	960	18	978
Mr. Tang Chuanqing	—	—	—	—
Mr. Xu Zhaoyang (appointed on 9 March 2015 and resigned on 14 July 2015)	—	—	—	—
Mr. Tang Jianhua (appointed on 14 July 2015)	—	—	—	—
	—	3,350	42	3,392

There was no arrangement under which a director and the chief executive officer waived or agreed to waive any remuneration during the year ended 31 December 2016 (2015: Nil).

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2015: two) individuals were within the following bands.

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**2**	1
HK$1,000,000 to HK$1,500,000	**—**	1
	2	2

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals or directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	HK$'000	HK$'000
Continuing operations		
Current tax for the year		
Hong Kong	**—**	—
Other than Hong Kong	**18,570**	12,210
Deferred tax (note 36)	**—**	—
Income tax expense	**18,570**	12,210

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of People's Republics of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% (2015: 25%), except for those subsidiaries described below.

Certain subsidiaries operating in the PRC were accredited as "Advanced Technology Enterprise" by the Science and Technology Bureau of relevant provinces and other authorities for a term of three years, and were registered with the local tax authorities to be eligible to the reduced 15% (2015: 15%) enterprise income tax rate in the period from 2014-2017.

The income tax expense for the year can be reconciled to the profit from continuing operations before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	HK$'000
Profit from continuing operations before income tax expense	**95,560**	40,079
Tax calculated at the statutory tax rate applicable to profits in the respective countries	**37,896**	12,556
Tax effect of share of profit of associates	**(783)**	(1,263)
Tax effect of reduced EIT rate	**(11,207)**	—
Tax effect of expenses not deductible for tax purposes	**1,201**	3,950
Tax effect of revenue not taxable for tax purposes	**(8,397)**	(185)
Tax effect of tax losses not recognised	**240**	4,231
Utilisation of tax losses previously not recognised	**(380)**	(7,079)
Income tax expense	**18,570**	12,210

In addition to the amount charged to the profit or loss, deferred tax relating to the revaluation of the Group's leasehold buildings for the year ended 31 December 2015 has been charged to other comprehensive income.

13. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2016			2015		
	HK$'000 Before-tax amount	**HK$'000 Tax benefits**	**HK$'000 Net-of-tax amount**	HK$'000 Before-tax amount	HK$'000 Tax benefits	HK$'000 Net-of-tax amount
Items that will not be reclassified to profit or loss:						
Loss on revaluation of properties	**(7)**	**1**	**(6)**	(68)	10	(58)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	**(43,365)**	**—**	**(43,365)**	(11,838)	—	(11,838)
Reclassification adjustments relating to foreign operations disposed of during the year	**30**	**—**	**30**	645	—	645
Share of other comprehensive income of associates	**(6,033)**	**—**	**(6,033)**	(2,245)	—	(2,245)
	(49,375)	**1**	**(49,374)**	(13,506)	10	(13,496)

14. DISCONTINUED OPERATIONS

On 1 November 2016, the Group entered into a sale and purchase agreement ("**SPA**") pursuant to which the Group has agreed to sell the entire issued share capital of each of the wholly-owned subsidiaries, Hurray Enterprises Limited, Tack Hsin (BVI) Holdings Limited and Tack Hsin International Limited (together the "**Target Group**") and the shareholder's loan owed by the Target Group to the Company, to an executive director and a substantial shareholder interested in approximately 10.08% of the issued share capital of the Company, for a consideration of HK$110 million. The principal activities of the Target Group are restaurant operations, property investment and hotel operations.

The transaction was completed on 28 December 2016. The carrying amounts of assets and liabilities at the date of disposal are disclosed in note 38 to the financial statements.

14. DISCONTINUED OPERATIONS (CONTINUED)

The results of the discontinued operations for the relevant period, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1 January 2016 to 28 December 2016 (date of completion of the disposal) HK$'000	1 January 2015 to 31 December 2015 HK$'000
Revenue	**173,762**	172,588
Other income and gains	**5,459**	3,653
Cost of inventories used	**(52,381)**	(49,673)
Staff cost	**(55,138)**	(55,299)
Rental expenses	**(44,731)**	(38,791)
Utility expenses	**(10,570)**	(10,639)
Depreciation	**(3,378)**	(6,615)
Other operating expenses	**(31,091)**	(33,209)
Loss before income tax expense	**(18,068)**	(17,985)
Income tax credit	**1,658**	114
Loss for the period/year from discontinued operations	**(16,410)**	(17,871)
Gain on disposal of subsidiaries, net of nil tax (note 38)	**21,959**	—
Profit/(loss) attributable to owners of the Company from discontinued operations	**5,549**	(17,871)
Operating cash flows	**(12,882)**	(14,702)
Investing cash flows	**(76)**	(7,802)
Total cash flows	**(12,958)**	(22,504)

For the purpose of presenting the above discontinued operations, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

15. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2016 (2015: Nil).

16. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2016	2015
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share	**78,571**	3,559

Number of shares

	2016	2015
	'000	'000
Issued Share Capital at 1 January	**1,133,095**	1,101,666
Issue of Share Capital upon conversion of convertible bonds	**—**	31,429
Issued Share Capital at 31 December	**1,133,095**	1,133,095
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	**1,133,095**	1,117,924

16. EARNINGS PER SHARE (CONTINUED)

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings

	2016 HK$'000	2015 HK$'000
Profit for the year attributable to owners of the Company	**78,571**	3,559
Less: Profit/(loss) for the year from discontinued operations	**5,549**	(16,959)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**73,022**	20,518

Number of shares

	2016 '000	2015 '000
Weighted average number of ordinary share for the purposes of basic and diluted earnings per share calculation	**1,133,095**	1,117,924

The convertible bonds (see note 35) were redeemed during the year ended 31 December 2016. The diluted earnings per share for the year ended 31 December 2015 and 2016 are the same as basic earnings per share presented as there was no dilutive effect from the assumed exercise of conversion of the Company's outstanding convertible bonds on the profit attributable to owner of the Company.

From discontinued operations

Basic and diluted profit/(loss) per share for the discontinued operation is $0.49 cent per share (2015: loss of $1.52 cents per share) based on the profit for the year from discontinued operations of HK$5,549,000 (2015: loss of HK$16,959,000) and the denominators detailed above for both basic and diluted profit/(loss) per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$('000)	Furniture and fixtures HK$('000)	Air-conditioning plant HK$('000)	Electrical applicances HK$('000)	Office equipment HK$('000)	Motor vehicles HK$('000)	Kitchen utensils, linen & uniforms HK$('000)	Solar power plant HK$('000)	Construction in progress HK$('000)	Total HK$('000)
Cost or valuation:										
At 1 January 2015	3,636	42,230	4,599	12,460	774	3,851	1,225	—	—	68,775
Additions	—	6,262	1,276	1,490	172	385	—	—	67,658	77,243
Written off/disposal	—	(935)	—	(114)	—	—	—	—	—	(1,049)
Exchange alignments	—	(19)	—	(142)	—	(85)	—	—	(1,760)	(2,006)
Deficit on revaluation	(129)	—	—	—	—	—	—	—	—	(129)
At 31 December 2015 and 1 January 2016	3,507	47,538	5,875	13,694	946	4,151	1,225	—	65,898	142,834
Additions	—	53	93	945	114	442	—	—	234,983	236,630
Written off/disposal	—	(1,943)	(136)	(447)	(15)	—	—	—	—	(2,541)
Deficit on revaluation	(41)	—	—	—	—	—	—	—	—	(41)
Transfer	—	—	—	—	—	—	—	169,923	(169,923)	—
Disposal of subsidiaries	(3,466)	(45,147)	(5,832)	(10,194)	(744)	(2,063)	(1,225)	—	—	(68,671)
Exchange alignments	—	(38)	—	(289)	(2)	(175)	—	(8,292)	(5,118)	(13,914)
At 31 December 2016	—	463	—	3,709	299	2,355	—	161,631	125,840	294,297
Accumulated depreciation and impairment:										
At 1 January 2015	—	33,044	3,401	9,180	650	1,654	—	—	—	47,929
Charge for the year	71	5,352	649	1,351	64	679	—	—	—	8,166
Written off/disposal	—	(935)	—	(70)	—	—	—	—	—	(1,005)
Exchange alignments	—	(11)	—	(44)	—	(30)	—	—	—	(85)
Deficit on revaluation	(71)	—	—	—	—	—	—	—	—	(71)
At 31 December 2015 and 1 January 2016	—	37,450	4,050	10,417	714	2,303	—	—	—	54,934
Charge for the year	69	2,713	452	1,062	73	622	—	9,200	—	14,191
Written off/disposal	—	(1,586)	(111)	(278)	(7)	—	—	—	—	(1,982)
Deficit on revaluation	(35)	—	—	—	—	—	—	—	—	(35)
Disposal of subsidiaries	(34)	(38,287)	(4,391)	(9,348)	(690)	(1,672)	—	—	—	(54,422)
Exchange alignments	—	(20)	—	(180)	—	(84)	—	(435)	—	(719)
At 31 December 2016	—	270	—	1,673	90	1,169	—	8,765	—	11,967
Net book value:										
At 31 December 2016	—	193	—	2,036	209	1,186	—	152,866	125,840	282,330
At 31 December 2015	3,507	10,088	1,825	3,277	232	1,848	1,225	—	65,898	87,900

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value measurement

The fair value measurement of the Group's building and investment property (see note 18) utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the '**fair value hierarchy**'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The fair value of the Group's buildings at 31 December 2015 was arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent professional surveyor and property valuer not connected with the Group. Asset Appraisal Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications.

The valuation of buildings was determined by reference to comparable sales transactions as available in the relevant market with adjustments to reflect the conditions and locations of the related properties. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year.

The recurring fair value measurement of the Group's buildings are categorised as Level 3 of fair value hierarchy. There were no transfers into or out of Level 3 during the years ended 31 December 2016 and 2015.

During the year, deficit arising from revaluation of buildings of approximately HK$6,000 (2015: HK$58,000) was recognised in the building revaluation reserve.

18. INVESTMENT PROPERTY

	2016 **HK$'000**	2015 HK$'000
At fair value		
Completed investment property		
At 1 January	**38,000**	38,000
Disposal of subsidiaries	**(38,000)**	—
At 31 December	**—**	38,000

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

18. INVESTMENT PROPERTY (CONTINUED)

Investment property and buildings revaluation as at 31 December 2015 were carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group, based on the highest and best use approach. The valuer has recent relevant experience in the valuation of similar properties in the relevant locations.

The valuation reports for the investment property and buildings as at 31 December 2015 are signed by a director of Asset Appraisal Limited, who is a member of The Hong Kong Institute of Surveyors. The valuations were performed in accordance with "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors.

The carrying amount of investment property shown above comprises:

	2016 HK$'000	2015 HK$'000
Property in Hong Kong:		
Medium-term leases	—	38,000

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

The recurring fair value measurement of the Group's investment property is categorised as Level 3 of fair value hierarchy.

There was no transfer into or out of Level 3 during the years ended 31 December 2016 and 2015.

19. PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Carrying amount at the beginning of the year	7,988	6,796
Addition	2,017	1,293
Amortised for the year	(587)	(101)
Disposal of subsidiaries	(6,493)	—
Exchange alignments	(178)	—
Carrying amount at the end of the year	2,747	7,988
Current portion included in prepayments	(486)	(101)
Non-current portion	2,261	7,887

19. PREPAID LAND LEASE PAYMENTS (CONTINUED)

The prepaid land lease payments are held under the following lease terms:

	2016 HK$'000	2015 HK$'000
Hong Kong		
Long term leases	—	6,594
PRC		
Medium term leases	1,133	1,293
Short term leases	1,614	—
	2,747	1,293
	2,747	7,887

20. AVAILABLE-FOR-SALE INVESTMENT

	2016 HK$'000	2015 HK$'000
Unlisted equity investment, at cost		
At 1 January	500	500
Disposal of subsidiaries	(500)	—
At 31 December	—	500

As at 31 December 2015, the unlisted equity investment with a carrying value of HK$500,000 was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

The unlisted equity investment was disposed in the transaction of disposal of subsidiaries (note 38).

21. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 HK$'000	2015 HK$'000
Non-current asset			
Investments in subsidiaries	22	**463,314**	824,948
Current assets			
Amount due from subsidiaries		**66,234**	—
Other receivables		**51,450**	—
Cash and bank balances		**14,103**	197
		131,787	197
Less: Current liabilities			
Other payables and accruals		**11**	11
Convertible bonds		**—**	286,842
		11	286,853
Net current assets/(liabilities)		**131,776**	(286,656)
Total assets less current liabilities		**595,090**	538,292
Less: Non-current liabilities			
Amounts due to subsidiaries		**16,710**	73,564
Borrowings		**300,000**	—
		316,710	73,564
Net assets		**278,380**	464,728
Capital and reserves			
Share capital		**113,309**	113,309
Reserves	39	**165,071**	351,419
Total equity		**278,380**	464,728

On behalf of the directors

Mr. Chung Chi Shing
Director

Mr. Bai Xuefei
Director

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	Place of incorporation and operations@	Nominal value of issued capital/ registered and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Guoxin Energy Limited	Hong Kong	HK$1,000*	—	80.90%	Investment holding
CNI (Nanjing) Energy Development Company Limited	PRC (Note i)	RMB250,000,000*	—	96.18%	EPC and consultancy operations
南京中核能源工程有限公司	PRC (Note i)	RMB150,000,000* (Note ii)	—	96.18%	EPC and consultancy operations
核建融資租賃(深圳)有限公司	PRC (Note i)	HK$240,000,000*	—	100%	Financing
泰州核潤新能源有限公司	PRC (Note i)	USD20,000,000*	—	100%	Solar power generation

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

* *Ordinary shares*

Note (i) All PRC subsidiaries are corporations with limited liability.

Note (ii) On 22 September 2016, the paid-up capital of the Company was increased from RMB100,000,000 to RMB150,000,000.

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

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

23. INTEREST IN ASSOCIATES

	2016	2015
	HK$'000	HK$'000
Share of net assets (including goodwill)	**82,215**	82,192

Details of the material associates are as follows.

Name		**Place of incorporation, operation and principal activity**	**Percentage of equity attributable to the Group**
中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.)	Note (i)	Construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in the PRC; and businesses of maintenance of nuclear power plants and electrical equipments, technology consultancy and technical services.	14.43%
中核齊齊哈爾太陽能發電有限公司 (transliterated as Zhong He Qiqihar Solar Power Generation Company Limited)	Note (ii)	Solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC	47.13%

Note (i) On 15 April 2016, shareholders of China Nuclear Industry Maintenance Co., Ltd. ("**CNI Maintenance Co.**"), an associate of the Company, entered into a capital injection agreement with one of its existing shareholders. Upon completion of the share subscription, the Group's equity interest in CNI Maintenance Co. has been diluted from 18.55% to 14.43% accordingly.

Although the Group's ownership interest in CNI Maintenance Co. is less than 20%, the Group has significant influence over CNI Maintenance Co. through its power to participate in CNI Maintenance Co.'s financial and operating decisions by appointing directors representing the Company in accordance with the articles of CNI Maintenance Co. in the board of directors' meetings of CNI Maintenance Co.

The primary business of CNI Maintenance Co. is undertaking construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in the PRC; and businesses of maintenance of nuclear power plants and electrical equipments, technology consultancy and technical services. This is in alignment with the Group's EPC and consultancy segment.

Note (ii) The primary business of Zhong He Qiqihar Solar Power Generation Company Limited is solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC. This is in alignment with the Group's solar power generation segment.

23. INTEREST IN ASSOCIATES (CONTINUED)

Summarised financial information

	China Nuclear Industry Maintenance Co., Ltd		Zhong He Qiqihar Solar Power Generation Company Limited	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
As at 31 December				
Current assets	**367,161**	278,373	**6,852**	1,978
Non-current assets	**107,101**	88,222	**25,752**	28,759
Current liabilities	**(29,846)**	(42,949)	**(21,056)**	(18,208)
Non-current liabilities	**—**	—	**—**	—
Year ended 31 December				
Revenue	**590,011**	491,138	**2,761**	—
Profit from continuing operations	**49,294**	41,269	**457**	—
Other comprehensive income	**(33,505)**	(6,632)	**(1,438)**	—
Total comprehensive income	**15,789**	34,637	**(981)**	—
Dividends received from associate	**4,579**	641	**—**	—
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associates	**444,416**	323,646	**11,548**	12,529
Group's effective interest	**14.43%** (Note (i))	18.55%	**47.13%**	47.13%
Group's share of net assets of the associates	**64,130**	60,036	**5,443**	5,905
Goodwill	**12,642**	16,251	**—**	—
Carrying amount in the consolidated financial statement	**76,772**	76,287	**5,443**	5,905

24. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	—	4,960
Finished goods	**415**	47,423
	415	52,383

25. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of 30–180 days with its customers for EPC and consultancy services depending on the customers' creditworthiness and the length of business relationship with the customers. Customers in restaurant and hotel operations are mainly settled by cash and credit card, except for certain well-established customers where the credit terms are negotiated on customer by customer basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Company. Trade receivables are non-interest bearing.

	2016 HK$'000	2015 HK$'000
Trade receivables	**1,211,479**	1,083,299
Bills receivables	**74,682**	1,810
	1,286,161	1,085,109

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

	2016 HK$'000	2015 HK$'000
0 – 90 days	**958,892**	1,067,535
91 – 180 days	**28,542**	360
181 – 365 days	**127,965**	17,214
>365 days	**170,762**	—
	1,286,161	1,085,109

25. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**958,892**	1,085,109
0 – 90 days past due	**28,542**	—
91 – 180 days past due	**127,965**	—
181 – 365 days past due	**170,762**	—
	1,286,161	1,085,109

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

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

Included in trade and bills receivables was an amount of approximately HK$59,243,000 (2015: HK$193,137,000) which represents amounts due from fellow subsidiaries and an associate of the Company arising from EPC and consultancy operations.

As at 31 December 2016, retention held by customers for contract work amounted to approximately HK$Nil (2015: HK$4,646,000). The retention receivables are unsecured, interest-free and recoverable at the end of the retention period of individual contracts, ranging from one to three months from the date of the completion of the respective project.

26. LOAN RECEIVABLE

	2016	2015
	HK$'000	HK$'000
Loan receivable	**111,125**	—

The amount represents loan to an indirect joint venture held by the ultimate holding company which is unsecured, interest bearing at the prevailing benchmark lending interest rate to be promulgated by People's Bank of China multiplied by (1+25%) per annum and due on 1 September 2017. The Group does not hold any collateral or other credit enhancements over the loan receivable.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	**2,114**	111,874
Deposits	**28,724**	18,188
Other receivables	**109,620**	42,184
	140,458	172,246
Less: deposits-non-current portion	**(27,781)**	—
	112,677	172,246

As at 31 December 2015, included in other receivables of HK$15,600,000 represented the loan to China He Investment (Hong Kong) Company Limited, the immediate controlling shareholder of the Company. The loan was fully repaid on 15 November 2016.

As at 31 December 2016, included in other receivables of HK$50,000,000 represents the consideration receivable from disposal of subsidiaries which is due from a shareholder interested in approximately 6.81% of the issued share capital of the Company (see note 38). The consideration receivable is interest-free, secured by the shares of the Target Group and due on 30 June 2017.

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

Included in the deposits amounted to HK$27,781,000 represents the deposits paid for acquisition of land and property, plant and equipment.

28. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2016 HK$'000	2015 HK$'000
Contract cost incurred plus recognised profits	**876,383**	410,843
Less: progress billing	**(782,595)**	(148,367)
	93,788	262,476
Represented by:		
Due from customers included in current assets	**104,804**	262,476
Due to customers included in current liabilities	**(11,016)**	—
	93,788	262,476

29. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services on certain equipment in the PRC. These leases are classified as finance leases and have remaining lease terms of eight years with interest rate at 5.7% per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Finance lease receivables comprise:				
Within one year	**18,659**	—	**12,743**	—
In the second to fifth years, inclusive	**74,638**	—	**58,378**	—
After five years	**46,649**	—	**43,371**	—
	139,946	—	**114,492**	—
Less: unearned finance income	**(25,454)**	—		
Total net finance lease receivables	**114,492**	—		

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes as:		
Current assets	**12,743**	—
Non-current assets	**101,749**	—
	114,492	—

The Group's finance lease receivables are denominated in Renminbi ("**RMB**").

30. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**472,711**	283,833
Time deposits	**—**	27,018
	472,711	310,851

At 31 December 2016, cash and cash equivalents and time deposits with banks in the PRC amounted to approximately HK$452,617,000 (2015: HK$280,419,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

31. TRADE AND BILLS PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**1,253,702**	1,146,594
Bills payables	**63,341**	—
	1,317,043	1,146,594

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

	2016 HK$'000	2015 HK$'000
0 – 90 days	**655,898**	936,241
91 – 180 days	**105,931**	210,353
181 – 365 days	**382,019**	—
>365 days	**173,195**	—
	1,317,043	1,146,594

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

32. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Receipts in advance	**1,585**	61,665
Other payables	**65,338**	129,286
Accruals	**11**	824
	66,934	191,775

Included in other payables of (i) RMB9,550,000 (approximately HK$10,612,000) (31 December 2015: RMB9,550,000 (approximately HK$11,507,000)) which represents the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company and (ii) RMB15,000,000 (approximately HK$16,669,000) (31 December 2015: RMB50,000,000 (approximately HK$60,245,000)) represents an unsecured interest bearing loan from a fellow subsidiary of the Company. The interest rate of the loan is at the PRC benchmark rate plus 10% per annum.

33. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Current		
Short-term bank loans, secured	**267,687**	—
Long-term bank loans, secured, current portion	**12,520**	—
	280,207	—
Non-current		
Long-term bank loans, secured	**402,517**	—
Total bank borrowings	**682,724**	—

33. BANK BORROWINGS (CONTINUED)

(i) The bank loans are secured by corporate guarantee provided by the ultimate holding company and fellow subsidiaries of the Company, the Group's bills receivables amounted to HK$33,337,000 and finance lease receivables amounted to HK$114,492,000.

(ii) All bank loans bear interest at floating rates, with effective interest rates ranging from 1.9% to 4.9% per annum. The carrying amounts of bank borrowings approximate their fair values.

The carrying amounts of bank borrowings at the report date are denominated in the followings currencies:

	2016	2015
	HK$'000	HK$'000
HK$	**300,000**	—
RMB	**382,724**	—
	682,724	—

At 31 December 2016, the Group had undrawn bank loans facilities of RMB100,000,000 (approximately HK$111,130,000) (2015: HK$Nil).

At 31 December, total current and non-current bank loans were scheduled to repay as follows:

	2016	2015
	HK$'000	HK$'000
On demand or within one year	**280,207**	—
More than one year, but not exceeding two years	**13,145**	—
More than two years, but not exceeding five years	**343,505**	—
After five years	**45,867**	—
	682,724	—

Further details of the Company's management of liquidity risk are set out in note 44(b).

34. PROVISION FOR LONG SERVICE PAYMENTS

	2016 HK$'000	2015 HK$'000
At beginning of the year	**3,484**	3,402
Increase for the year	**411**	2,059
Amounts utilised during the year	**(583)**	(1,977)
Disposal of subsidiaries	**(3,312)**	—
At the end of the year	**—**	3,484

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

35. CONVERTIBLE BONDS

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

	3% Coupon convertible bonds HK$'000
Liability component	
At 1 January 2015	—
Issuance of new bonds	313,038
Imputed interest expenses	22,996
Conversion of convertible bonds	(49,192)
At 31 December 2015 and 1 January 2016	286,842
Imputed interest expenses	17,008
Redemption of convertible bonds	(303,850)
At 31 December 2016	—
Equity component	
At 1 January 2015	—
Issuance of new bonds	33,075
Conversion of convertible bonds	(5,808)
At 31 December 2015 and 1 January 2016	27,267
Transfer to retained earnings upon redemption	(27,267)
At 31 December 2016	—

35. CONVERTIBLE BONDS (CONTINUED)

3% Coupon convertible bonds

On 26 May 2015, the Company issued an aggregated principal amount of HK$350 million 3% convertible bonds (the "**2015 Convertible Bonds**"), which are due on 25 May 2016.

The 2015 Convertible Bonds are convertible at the option of the bondholders into the Company's ordinary shares at a conversion price of HK$1.75 per share any time up to maturity.

On the basis that the conversion option of the 2015 Convertible Bonds to be settled by exchange of a fixed amount or fixed number of equity instruments, the 2015 Convertible Bonds were accounted for as compound instruments under HKAS 32 "Financial Instruments Presentation" and the proceeds were split between a liability component and an equity component as set out below.

The fair value of the liability component was calculated using a market interest rate for a bond with the similar tenure but with no conversion features. The residual amount, representing the value of the equity component, was credited to conversion reserves under equity attributable to owners of the Company.

The imputed interest expenses on the bonds are calculated using the effective interest method.

Since the date of issuance and up to 31 December 2015, HK$55,000,000 of the 2015 Convertible Bonds were converted into shares of the Company by the bondholders.

On 25 May 2016, the Company redeemed the outstanding convertible bonds at the total principal amount of HK$295,000,000.

36. DEFERRED TAXATION

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000	Decelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2015	2,096	1,659	3,755
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	934	(523)	411
At 31 December 2015 and 1 January 2016	3,030	1,136	4,166
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	1,686	(45)	1,641
Disposal of subsidiaries	(4,716)	(1,091)	(5,807)
At 31 December 2016	—	—	—

36. DEFERRED TAXATION (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	—	4,516
Net deferred tax liabilities recognised in the consolidated statement of financial position	—	350

Under the Corporate Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK$16,400,000 (2015: HK$5,514,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had tax losses arising in Hong Kong of approximately HK$Nil (2015: HK$144,778,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Unused tax assets of approximately HK$997,000 (2015: HK$1,376,000) arising in the PRC subsidiaries of the Company will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognized in respect of these losses as the utilization of which is uncertain.

37. SHARE CAPITAL

Ordinary shares

	2016 Number of shares '000	**2016 Share capital HK$'000**	2015 Number of shares '000	2015 Share capital HK$'000
Issued and fully paid:				
At 1 January	**1,133,095**	**113,309**	1,101,666	110,166
Issue of shares upon conversion of convertible bonds (Note (a))	—	—	31,429	3,143
At 31 December	**1,133,095**	**113,309**	1,133,095	113,309

Note:

a. In June and July 2015, the 2015 Convertible Bonds were partly converted into ordinary shares of the Company at conversion price of HK$1.75 per share, resulting in the issuance of approximately 31,429,000 ordinary shares of the Company.

38. DISPOSAL OF SUBSIDIARIES

(a) As referred to in note 14, the Group disposed of the Target Group on 28 December 2016.

The net assets of the Target Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	14,249
Investment property	38,000
Prepaid land lease payments	6,493
Available-for-sale investment	500
Deferred tax assets, net	6,132
Inventories	1,854
Trade receivables	520
Prepayments, deposits and other receivables	18,263
Tax prepayment	244
Cash and cash equivalents	18,983
Trade payables	(4,423)
Other payables and accruals	(9,503)
Provision for long service payments	(3,312)
Receipt in advance	(550)
Deferred tax liabilities, net	(325)
Shareholder's loans	(71,455)
	15,670
Assignment of shareholder's loans	71,455
Direct expenses in relation to the disposal	916
Gain on disposal of subsidiaries included in profit for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income (note 14)	21,959
Total consideration	110,000
Satisfied by:	
Cash	60,000
Consideration payable	50,000
	110,000

38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Cash inflow arising from disposal of subsidiaries

	HK$'000
Cash consideration received	60,000
Bank balance and cash disposal of	(18,983)
Direct expenses paid in relation to the disposal	(916)
	40,101

39. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 41 of the consolidated financial statements.

Building revaluation reserve

The building revaluation reserve has been set up and is dealt with in accordance with the accounting policies of "Property, plant and equipment and depreciation" as set out in Note 17.

Exchange reserve

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

Statutory reserve

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

Equity Component of Convertible Bonds

The reserve represents amount of proceeds on issue of convertible bonds relating to the equity component (i.e. option to convert the debt into share capital).

39. RESERVES (CONTINUED)

(b) The Company

	Share Premium Account HK$'000	Contributed Surplus HK$'000	Equity Component of Convertible Bonds HK$'000	Accumulated Losses HK$'000	Total HK$'000
At 1 January 2015	1,314,363	203,630	—	(1,219,049)	298,944
Total comprehensive income for the year	—	—	—	(26,649)	(26,649)
Issue of convertible bond	—	—	33,075	—	33,075
Issue of shares upon conversion of convertible bonds	51,857	—	(5,808)	—	46,049
At 31 December 2015 and 1 January 2016	1,366,220	203,630	27,267	(1,245,698)	351,419
Total comprehensive income for the year	—	—	—	(186,348)	(186,348)
Redemption of convertible bonds	—	—	(27,267)	27,267	—
At 31 December 2016	1,366,220	203,630	—	(1,404,779)	165,071

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

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

40. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2016 (2015: Nil).

41. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2016 and 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK'000
Within one year	**4,755**	73,396
In the second to fifth years, inclusive	**2,058**	70,760
	6,813	144,156

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

42. CAPITAL COMMITMENT

As at 31 December 2016, the Group had capital commitment as follows:

	2016 **HK$'000**	2015 HK'000
Contracted but not provided for:		
– Acquisition of land and property, plant and equipment	**7,778**	—

43. MATERIAL RELATED PARTY TRANSACTIONS

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

a. Transactions with related parties

	2016 **HK$'000**	2015 HK$'000
Transaction with a shareholder of the Company:		
– Rental expenses paid (note(i))	**120**	—
Continuing connected transactions as defined in Chapter 14A of Listing Rules which are subject to annual cap (note (ii))		
– Construction contract revenue incurred	**34,211**	128,746
– Service income	**—**	20,271
– Sales of goods	**33,251**	38,159
Transaction with a fellow subsidiary		
– Loan interest expense (note (iii))	**1,062**	368
Transaction with immediate holding company and the ultimate holding company's indirect joint venture		
– Loan interest income (note (iv))	**1,429**	—

Notes:

i. The Group paid rental expenses to a shareholder interested in approximately 6.81% of the issued share capital of the Company for the year ended 31 December 2016. The rentals were determined with reference to open market rentals.

ii. The Group generated revenue of RMB52,906,000 (approximately HK$61,708,000) (2015: RMB109,047,000 (approximately HK$134,418,000)) from 新疆新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited), a fellow subsidiary of the Company. The revenue generated from sales of goods and construction contract.

The Group generated revenue of RMB4,933,000 (approximately HK$5,754,000) (2015: RMB19,353,000 (approximately HK$23,588,000)) from Zhong He Qiqihar Solar Power Generation Company Limited, an associate of the Company. The revenue generated from sales of goods, supplies of services and construction contract.

The Group generated revenue of RMBNil (2015: RMB15,472,000 (approximately HK$19,115,000)) from 中國核工業二三建設有限公司華東分公司 (transliterated as "China Nuclear Industry 23 Construction Company Limited Huadong Branch"), a fellow subsidiary of the Company, a branch of CNI23. The revenue generated from supplies of services.

The Group generated revenue of RMBNil (2015: RMB87,000 (approximately HK$108,000)) from 榆林市榆神工業區東投能源有限公司 (transliterated as Yulin City Yushen Industrial District Dongtou Power Co., Ltd.), a connected person of the Company. The revenue generated from supplies of services.

The Group generated revenue of RMBNil (2015: RMB96,000 (approximately HK$119,000)) from 寶應鑫源光伏發電有限公司 (transliterated as Baoying Xinyuan Solar Power Co., Ltd.), a connected person of the Company. The revenue generated from supplies of services.

The Group generated revenue of RMBNil (2015: RMB7,955,000 (approximately HK$9,828,000)) from 黎城協鑫光伏電力有限公司 (transliterated as Licheng GCL Solar Power Co., Ltd.), a connected person of the Company. The revenue generated from sales of goods, supplies of services and construction contract.

43. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

a. Transactions with related parties (Continued)

iii. In 2015, the Group borrowed from 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Company Limited) ("**Zhong He New Energy**"), a fellow subsidiary of the Company with the sum of RMB50,000,000 which bearing interest rate of the PRC benchmark rate plus 10% per annum. The loan interest was charged at normal market interest rate with reference to the loan agreement. During the year, the Company repaid RMB35,000,000 to Zhong He New Energy and re-negotiated the terms of the loan. The remaining loan balance of RMB15,000,000 is unsecured, non-interest bearing and repayable on demand.

iv. On 13 November 2015, the Group as lender entered into the Loan Agreement with China He Investment (Hong Kong) Company Limited ("**China He Investment**"), immediate holding company of the Company, pursuant to which the Group agreed to grant the Facility in the principal amount of HK$15,600,000 for a term of six months which bearing interest rate of 3.3% per annum. As the term of the Facility expired on 17 May 2016, the Group and China He Investment entered into the Supplemental Agreement on 17 May 2016 to extend the term of the Facility for six months to 16 November 2016. The loan interest was charged at normal market interest rate with reference to the loan agreement. The loan was fully repaid on 15 November 2016. As China He Investment is a substantial shareholder interested in approximately 35.30% of the issued share capital of the Company, China He Investment is a connected person of the Company. Therefore, the extension of the Facility constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

On 20 October 2016, a loan agreement was entered into between 核建融資租賃(深圳)有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Co., Ltd.) ("**CNECF**"), an indirect wholly-owned subsidiary of the Company and an indirect joint venture of the ultimate holding company of the Company (the "**Borrower**"). Pursuant to the loan agreement, CNECF agreed to grant the loan in the principal amount of RMB100,000,000 (approximately HK$111,125,000) to the Borrower for a term from the drawn date to 1 September 2017 at an interest rate of 5.44% per annum, being the prevailing benchmark lending interest rate to be promulgated by People's Bank of China ("**PBC**") multiplied by (1 + 25%) and shall be adjusted in the event that PBC adjusts the benchmark lending interest rate during the term of the loan agreement.

b. Connected transactions

In addition to above, the Group had the following connected transaction during the year:

– On 1 November 2016, the Group entered into a SPA pursuant to which the Group has agreed to sell the entire issued share capital of the Target Group and the shareholder's loan owed by the Target Group to the Company, to an executive director and a substantial shareholder of the Group, for a consideration of HK$110,000,000. Details of the transaction are set out in the Company's circular dated 5 December 2016. The transaction was completed on 28 December 2016 (note 38).

c. Compensation of key management personnel of the Group:

	2016 **HK$'000**	2015 HK'000
Short term employee benefits	**8,707**	6,439
Pension scheme contribution	**134**	110
Total compensation paid to key management personnel	**8,841**	6,549

43. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

d. Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of construction contract revenue incurred, sales of goods and supply of services above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing Connected Transactions" of the Directors' Report.

44. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2016	2015
	HK$'000	HK'000
Financial assets — Loans and receivables		
Trade and bills receivables	**1,286,161**	1,085,109
Loan receivable	**111,125**	—
Financial assets included in deposits and other receivables	**89,583**	60,372
Financial lease receivables	**114,492**	—
Amounts due from customers for contract work	**104,804**	262,476
Cash and cash equivalents	**472,711**	310,851
	2,178,876	1,718,808
Financial assets — Available-for-sale financial assets		
Available-for-sale investments	**—**	500
Financial liabilities — Financial liabilities at amortised cost		
Trade and bills payables	**1,317,043**	1,146,594
Bank borrowings	**682,724**	—
Financial liabilities included in other payables and accruals	**65,349**	130,110
Convertible bonds	**—**	286,842
	2,065,116	1,563,546

44. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, mainly comprise cash, short term deposits, trade and bills receivables, deposits and other receivables, loan receivable, finance lease receivables, amounts due from customers for contract work, trade and bills payables, bank borrowings, other payables and accruals and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

Market risk

(i) Foreign currency risk management

The Group mainly operated in Hong Kong and the PRC with most of the transactions settled in HKD and RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

44. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Market risk (Continued)

(ii) Interest rate risk management

The Group's interest rate risk arises primarily from bank borrowings, loan from related parties and loan receivable. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group will review whether bank borrowings and loan from related parties bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	Group			
	2016		2015	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Fixed rate borrowings				
Convertible loan notes	**—**	**—**	3.0	286,842
Floating rate borrowings				
Bank borrowings	**3.5**	**682,724**	—	—
Loan from a fellow subsidiary (note 32)	**4.8**	**16,669**	4.8	60,245
		699,393		60,245
Floating rate loan receivable				
Loan receivable (note 26)	**5.4**	**(111,125)**	—	—
Total net borrowings		**588,268**		347,087
Net fixed rate borrowings as a percentage of total net borrowings		**0%**		82.6%

The interest rates and terms of repayment of the Group's borrowings are disclosed in note 32 and 33 to the financial statements.

44. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Market risk (Continued)

(ii) Interest rate risk management (Continued)

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and accumulated losses by approximately HK$2,334,000 (2015: HK$226,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The analysis is performed on the same basis for 2015.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, loan receivable, finance lease receivables, amounts due from customers for contract work and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

At the end of reporting period, the Group has a certain concentration of credit risk as 15% (2015: 41%) and 56% (2015: 81%) of the total trade receivables was due from Group's largest customer and the five largest customers respectively. The Group's concentration risk of credit risk by geographical location is mainly in the PRC, which accounted for 100% (2015: 100%) of the total trade receivables.

Cash and cash equivalents are placed with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

Further quantitative disclosure in respective of the Group's exposure to credit risk arising from trade and bills receivables are set out in note 25.

44. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As indicated in notes 31, 32 and 33, all financial liabilities of the Group were due to be repaid within one year or repayable on demand except for the long term bank borrowings of HK$402,517,000.

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

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

	Less than 3 months HKD'000	3 to less than 12 months HKD'000	1 to less than 2 years HKD'000	2 to less than 5 years HKD'000	More than 5 years HKD'000	Total undiscounted amount HKD'000	Total carrying amount HKD'000
At 31 December 2016							
Trade and bills payables	**1,317,043**	**—**	**—**	**—**	**—**	**1,317,043**	**1,317,043**
Financial liabilities included in other payables and accruals	**59,436**	**6,112**	**—**	**—**	**—**	**65,548**	**65,349**
Bank borrowings	**6,357**	**293,232**	**25,430**	**357,539**	**49,306**	**731,864**	**682,724**
	1,382,836	**299,344**	**25,430**	**357,539**	**49,306**	**2,114,455**	**2,065,116**
At 31 December 2015							
Trade payables	1,146,594	—	—	—	—	1,146,594	1,146,594
Financial liabilities included in other payables and accruals	130,110	—	—	—	—	130,110	130,110
Convertible bonds	—	312,320	—	—	—	312,320	286,842
	1,276,704	312,320	—	—	—	1,589,024	1,563,546

44. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Capital risk management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

Gearing ratio

The gearing ratio at the end of reporting period was as follows:

	2016	2015
	HK$'000	HK$'000
Debt#	**710,005**	358,594
Total equity	**508,789**	474,941
Gearing ratio	**1.40**	0.76

Total debt comprises loans included in other payables and accruals, bank borrowings and convertible bonds as detailed in notes 32, 33 and 35.

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

(d) Fair value measurements

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

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

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

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

The directors consider that the fair value of convertible bonds are not materially different from the carrying amounts.

There is no transfer into and out of Level 3 for the years ended 31 December 2016 and 2015.

45. IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2016, the directors consider the immediate and ultimate controlling parties of the Group to be China He Investment (Hong Kong) Company Limited which is incorporated in Hong Kong and China Nuclear Engineering & Construction Corporation which is a state-owned enterprise incorporated in the PRC respectively. These entities do not produce financial statements available for public use.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 March 2017.

Five Year Financial Summary

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

RESULTS

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	Period ended 31 December 2012 HK$'000
Revenue	**2,215,305**	1,676,330	322,523	556,877	233,622
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**82,539**	9,998	(57,195)	(36,648)	36,721
Attributable to:					
Owners of the Company	**78,571**	3,559	(40,931)	(45,536)	37,598
Non-controlling interests	**3,968**	6,439	(16,264)	8,888	(877)
	82,539	9,998	(57,195)	(36,648)	36,721

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
Total assets	**2,596,972**	2,105,056	531,810	780,778	617,538
Total liabilities	**(2,088,183)**	(1,630,115)	(134,336)	(323,636)	(181,317)
Non-controlling interests	**(7,366)**	(576)	10,050	(6,475)	(152)
	501,423	474,365	407,524	450,667	436,069