A New Step FORWARD

ANNUAL REPORT 2012

(For the nine months ended 31 December 2012)

中国核建

Stock Code: 611

China Nuclear Industry 23 International Corporation Limited

中國核工業二三國際有限公司

Contents

Corporate Information

BOARD OF DIRECTORS

Non-executive Director
Mr. Dong Yuchuan *(Chairman)*

Executive Directors
Mr. Chan Shu Kit *(Vice-Chairman)*
Mr. Lei Jian
Mr. Han Naishan
Mr. Guo Shuwei
Mr. Chung Chi Shing
Ms. Jian Qing
Mr. Song Limin *(Chief Executive Officer)*

Independent Non-executive Directors
Mr. Chan Ka Ling, Edmond
Mr. Chang Nan
Dr. Dai Jinping
Mr. Yu Lei

AUDIT COMMITTEE
Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Chang Nan
Dr. Dai Jinping
Mr. Yu Lei

REMUNERATION COMMITTEE
Mr. Chan Ka Ling, Edmond *(Chairman)*
Mr. Dong Yuchuan
Mr. Chan Shu Kit
Mr. Chang Nan
Dr. Dai Jinping
Mr. Yu Lei

NOMINATION COMMITTEE
Mr. Dong Yuchuan *(Chairman)*
Ms. Jian Qing
Mr. Chan Ka Ling, Edmond
Mr. Chang Nan
Dr. Dai Jinping
Mr. Yu Lei

COMPANY SECRETARY
Mr. Ng Siu Cheung *(appointed on 27 December 2012)*

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

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

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

HONG KONG SHARE REGISTRARS
Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE
Clarendon House
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.cni23intl.com

Chairman's Statement

BUSINESS REVIEW

In 2012, the Group achieved successive results in its catering, hotel, nuclear power maintenance, overseas engineering and manufacturing chemical products and modularization equipment, due to our diversified business strategies.

Looking back, the retail market in Hong Kong continued to grow last year, mainly due to the increasing individual travellers, from which our restaurant business had significantly benefited. Although some restaurants required renovation during the nine months ended 31 December 2012, the operations were impacted only for a short period, and the performance in general was stable. On the other hand, the hotel business also kept steady progress, while the average occupancy rate of each month reached 90% in the last nine months.

Our overseas engineering business is currently in the preliminary development stage. On 15 October 2012, CNI23 Overseas Development Limited, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with COOEC-ENPAL Engineering Co., Ltd. in relation to the construction of a captive power station in Missan Oil Fields in Iraq. The project is a new milestone for overseas engineering business and also laid the foundation for further exploring subsequent market. The Group invested in equity interest of 深圳中核二三核電檢修有限公司(transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.) and 江蘇中核利柏特股份有限公司(transliterated as Jiangsu China Nuclear Industry Libert INC.), so as to diversify its businesses, achieve stable gains and reduce operating risks.

Financial Review

The Group's consolidated revenue for the nine months ended 31 December 2012 amounted to HK$233,622,000, representing a decrease of HK$66,475,000 compared to the consolidated revenue of HK$300,097,000 recorded for the twelve months ended 31 March 2012. Consolidated profit attributable to owners of the Company for the current period was HK$37,598,000 (for the twelve months ended 31 March 2012: HK$492,587,000). Basic earnings per share amounted to HK$0.04 (for the twelve months ended 31 March 2012: HK$0.71 per share).

The significant decrease in profit for the current period was due to the decrease in net fair value changes of the following derivative financial instruments: (1) the unlisted warrants issued on 19 October 2009 (the "Warrants"); and (2) zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK$120,000,000 (the "Acquisition CBs") issued on 1 September 2011. Also, zero coupon rate unsecured redeemable convertible bonds in the principal amount of HK$200,000,000 (the "2011 CBs") issued pursuant to the subscription agreement dated 20 January 2010 and ordinary shares of the Company converted on 5 December 2011 due to the settlement of the subscription agreement on 17 March 2011, its net fair value changes were only reflected in the consolidated profits for the twelve months ended 31 March 2012. The relevant derivative financial liabilities and the related profits on changes in fair value are non-cash in nature. As a result, the cash flow of the Group was not affected. The Group will in no event be obliged to settle any of such financial liabilities by incurring cash payout or disposing of any assets, except for the required redemption of the Acquisition CBs upon their expiration date. The Group's financial position was healthy. Profit for the period amounted to HK$36,721,000, excluding the net fair value gains from these derivative financial instruments of HK$45,921,000 and the imputed interest on the convertible bonds of HK$15,793,000, the Group would have recorded a profit of HK$6,593,000 from its core business for the nine months ended 31 December 2012.

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

Chairman's Statement

Liquidity and Financial Resources

As of 31 December 2012, the Group had no mortgage loans (31 March 2012: Nil). Net assets amounted to HK$436,221,000 (31 March 2012: HK$224,507,000). The ratio of non-current liabilities to total equity was 0.15 (31 March 2012: 0.22). The decrease in the gearing ratio as at 31 December 2012 was mainly because the rights attached to the Warrants were fully exercised on 18 October 2012 and all outstanding shares issuable pursuant to which have been issued and allotted.

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

Acquisition of Subsidiaries

On 23 December 2010, 29 December 2010 and 13 May 2011, the Company entered into agreements with an independent third party to acquire the entire issued share capital of Well Link Capital Limited, a company incorporated in the British Virgin Islands, at a total consideration of HK$200,000,000. Well Link Capital Limited holds 25% equity interests in 江蘇中核利柏特股份有限公司 (transliterated as Jiangsu China Nuclear Industry Libert INC), a company established in the People's Republic of China, through its wholly-owned subsidiary East King International Enterprises Limited. The acquisition was completed on 1 September 2011. Details of the acquisition were set out in the circular of the Company dated 12 August 2011.

On 17 August 2012, CNI23 Holdings Company Limited, a direct wholly-owned subsidiary of the Company, acquired the 26.50% equity interest of 深圳中核二三核電檢修有限公司 (a company established in the People's Republic of China, transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.) held by China Nuclear Industry 23 Construction (Hong Kong) Company Limited (the controlling shareholder of the Company), at a total consideration of RMB50,000,000. The acquisition was completed on 15 October 2012. Details of the acquisition were set out in the circular of the Company dated 17 September 2012.

New Businesses

On 15 October 2012, CNI23 Overseas Development Limited, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with COOEC-ENPAL Engineering Co., Ltd. in relation to the construction of a captive power station in Missan Oil Fields in Iraq, at a contract price of US$1,912,376. Details of the project were set out in the voluntary announcement of the Company dated 15 October 2012.

Contingent Liabilities

As at 31 December 2012, the Group had no significant contingent liabilities.

Number of Employees and Remuneration Policy

As at 31 December 2012, the Group had 496 employees, the remuneration packages of whom are reviewed annually with reference to the prevailing market condition.

Chairman's Statement

OUTLOOK

With a view to reduce the risk of single business, the Group will propel its businesses in a continuous and healthy manner through determined corporate diversification strategy and plans. In the future, the Group will further explore petrochemical, electrical engineering and new energy engineering including its representative solar markets both in China and overseas. Meanwhile, we will seek sustainable growth opportunities, to further solidify the base of the Group. Although our management is facing a volatile situation and fierce market competitions, we believe that we have a bright future, and actively prepare for the best return.

Given the continuous recovery of the economy in Hong Kong, there were significant improvement in both employment rate and per capita income. The operation and management of the Company was impacted to some extent by such factors as the rising rental and food prices and statutory minimum wage, but the Group restructured and consolidated its internal resources in response to the actual situation, so as to meet the requirements of businesses and reduce the pressure on various operating cost. Our management will frequently make appropriate measures and arrangements in accordance with market changes to secure the best interest for the Group.

Dong Yuchuan
Chairman

Hong Kong, 15 March 2013

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 most of the principles 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 period from 1 April 2012 to 31 December 2012, the Company has complied with most of the code provisions as set out in the CG Code, save and except for code provisions A.6.7 and E.1.2, details will be set out below.

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 nine months ended 31 December 2012.

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 price-sensitive 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 currently comprises 12 members, consisting of 1 Non-executive Director, 7 Executive Directors, and 4 Independent Non-executive Directors as set out below:

Non-executive Director:

Mr. Dong Yuchuan *(Chairman of the Board, member of the Remuneration Committee and Chairman of the Nomination Committee)*

Executive Directors:

Mr. Chan Shu Kit *(Vice-Chairman of the Board and member of the Remuneration Committee)*
Mr. Lei Jian
Mr. Han Naishan
Mr. Guo Shuwei
Mr. Chung Chi Shing
Ms. Jian Qing *(Member of the Nomination Committee)*
Mr. Song Limin *(Chief Executive Officer)*

Independent Non-executive Directors:

Mr. Chan Ka Ling, Edmond *(Chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee)*
Mr. Chang Nan *(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*
Dr. Dai Jinping *(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*
Mr. Yu Lei *(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

The relationships between the members of the Board are disclosed under the section headed "Biographical Details of the Directors" on pages 19 to 22 of the annual report for the nine months ended 31 December 2012.

(1) Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Dong Yuchuan and Mr. Song Limin respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

(2) Independent Non-executive Directors

During the nine months ended 31 December 2012, 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/her 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) Non-executive Directors and 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 Non-executive Director and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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

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

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

(5) Continuous Professional Development of Directors

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

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

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

During the nine months ended 31 December 2012, all the directors had read the following publications as assigned by the Company:

- Securities and Futures (Amendment) Ordinance 2012
- Guidelines on Disclosure of Inside Information
- Consultation Conclusions and Listing Rule Amendments on Review of the Corporate Governance Code and Associated Listing Rules

In addition, Mr. Chan Ka Ling, Edmond had read the publications issued by Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors from time to time and had attended training conducted by qualified professionals as follows:

- Seminar on Amendments to Corporate Governance Code and Associated Listing Rules organized by The Society of Chinese Accountants and Auditors
- Seminar on Professional Development organized by HLB Hodgson Impey Cheng Limited

C. BOARD COMMITTEES

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

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

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

(1) Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor, 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 nine months ended 31 December 2012, the Audit Committee held three meetings to review the interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, change of financial year end date, internal control and risk management systems, scope of work and appointment of external auditor and the other matters in accordance with the Audit Committee's written terms of reference.

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

(2) Remuneration Committee

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

During the nine months ended 31 December 2012, the Remuneration Committee held three 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 nine months ended 31 December 2012 is set out below:

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

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 10 and 11 to the financial statements as set out on pages 67 to 69 of this annual report.

(3) Nomination Committee

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

During the nine months ended 31 December 2012, the Nomination Committee held three 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.

(4) Corporate Governance Functions

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

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

D. ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the nine months ended 31 December 2012 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting	Special General Meeting
Dong Yuchuan	8/9	3/3	3/3	N/A	0/1	0/1
Chan Shu Kit	8/9	N/A	3/3	N/A	1/1	1/1
Lei Jian	8/9	N/A	N/A	N/A	0/1	0/1
Han Naishan	8/9	N/A	N/A	N/A	0/1	0/1
Guo Shuwei	8/9	N/A	N/A	N/A	0/1	0/1
Chung Chi Shing	9/9	N/A	N/A	N/A	0/1	1/1
Jian Qing	9/9	3/3	N/A	N/A	1/1	1/1
Song Limin	9/9	N/A	N/A	N/A	1/1	1/1
Chan Ka Ling, Edmond	8/9	3/3	3/3	3/3	1/1	1/1
Chang Nan	8/9	3/3	3/3	3/3	0/1	0/1
Dai Jinping	8/9	3/3	3/3	3/3	0/1	0/1
Yu Lei	8/9	3/3	3/3	3/3	1/1	0/1
Chan Ho Man *(Note 1)*	8/9	N/A	N/A	N/A	1/1	1/1

Note 1: Mr. Chan Ho Man resigned as Executive Director with effect from 27 December 2012.

Apart from regular Board meetings, the Chairman also held meetings with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the period ended 31 December 2012.

E. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the nine months ended 31 December 2012.

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 auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 24 to 25.

F. AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditor of the Company in respect of audit services and non-audit services for the nine months ended 31 December 2012 amounted to HK$880,000 and HK$430,000 respectively.

G. INTERNAL CONTROLS

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

H. SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder 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 shareholder meeting.

(1) Convening a Special General Meeting by Shareholders

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

(2) Putting Forward Proposals at General Meeting

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

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

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

(3) Putting Forward Enquiries to the Board

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

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

(4) Contact Details

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

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

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

I. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. It was noted that two Independent Non-executive Directors and a Non-executive Director were unable to attend the annual general meeting of the Company held on 28 August 2012 while three Independent Non-executive Directors and a Non-executive Director were unable to attend the special general meeting held on 5 October 2012, all due to their unavoidable business engagement.

Code Provision E.1.2 stipulates that the chairman of the issuer's board should attend the issuer's annual general meeting. The Chairman of the Board was unable to attend the annual general meeting held on 28 August 2012 due to a business engagement and delegated the vice-chairman of the Board to chair the meeting to ensure effective communication with the shareholders of the Company.

During the period under review, the Company has adopted a new set of Bye-laws. Details of the amendments are set out in the circular dated 18 July 2012 to the shareholders. An up to date version of the Company's Bye-laws is also available on the Company's website and the Stock Exchange's website.

Directors' Report

The directors present their report and the audited financial statements of the Company and the Group for the nine months ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 21 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the period.

RESULTS AND DIVIDENDS

The results of the Group for the nine months ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 87.

The Board has resolved not to recommend a final dividend for the nine months ended 31 December 2012 (for the twelve months ended 31 March 2012: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 88. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the nine months ended 31 December 2012 are set out in notes 16 and 17 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the nine months ended 31 December 2012 are set out in note 33 to the 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 nine months ended 31 December 2012.

RESERVES

Details of movements in the reserves of the Company and the Group during the nine months ended 31 December 2012 are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, 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

In the period under review, sales to the five largest customers of the Group accounted for less than 30% of the Group's total sales for the period. Purchases from the five largest suppliers of the Group accounted for less than 30% of the total purchases for the period.

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

DIRECTORS

The directors of the Company during the nine months ended 31 December 2012 were as follows:

Non-executive Director:

Mr. Dong Yuchuan *(Chairman)*

Executive Directors:

Mr. Chan Shu Kit *(Vice-Chairman)*
Mr. Lei Jian
Mr. Han Naishan
Mr. Guo Shuwei
Mr. Chung Chi Shing
Ms. Jian Qing
Mr. Song Limin *(Chief Executive Officer)*
Mr. Chan Ho Man *(resigned with effect from 27 December 2012)*

Independent Non-executive Directors:

Mr. Chan Ka Ling, Edmond
Mr. Chang Nan
Dr. Dai Jinping
Mr. Yu Lei

In accordance with Bye-law 84(1) of the Company's Bye-laws, Mr. Dong Yuchuan, Mr. Chan Shu Kit, Mr. Lei Jian, Mr. Han Naishan, Mr. Guo Shuwei, Mr. Chung Chi Shing, Ms. Jian Qing, Mr. Song Limin, Mr. Chan Ka Ling, Edmond, Mr. Chang Nan, Dr. Dai Jinping and Mr. Yu Lei, all of the directors of the Company, would retire at the forthcoming 2013 Annual General Meeting and that all the retiring directors, being eligible, would offer themselves for re-election at the forthcoming 2013 Annual General Meeting.

The Company has received annual confirmations of independence from each of the Independent Non-executive Directors, Mr. Chan Ka Ling, Edmond, Mr. Chang Nan, Dr. Dai Jinping and Mr. Yu Lei and the Company still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Dong Yuchuan, being a Non-executive Director of the Company, has executed a letter of appointment with the Company for a term of three years from 16 December 2012 to 15 December 2015 and is subject to retirement and re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Chan Shu Kit, being an Executive Director of the Company, has renewed a service contract with the Company on 1 April 2013 for a term of three years and is subject to retirement and re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Each of Mr. Lei Jian and Mr. Han Naishan, being the Executive Directors of the Company, has executed a letter of appointment with the Company for a term of three years commencing from 27 June 2012 and is subject to retirement and re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Guo Shuwei, being an Executive Director of the Company, has executed a letter of appointment with the Company for a term of three years from 16 December 2012 to 15 December 2015 and is subject to retirement and 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 entered into a service contract with the Company for an initial term of three years commencing from 1 December 2010 and is subject to retirement and 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 renewed a service contract with the Company for a term of three years commencing from 19 October 2012 and is subject to retirement and re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Song Limin, being an Executive Director and the Chief Executive Officer of the Company, has renewed a service contract with the Company for a term of three years commencing from 19 August 2012 and is subject to retirement and 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 executed a letter of appointment with the Company for a term of three years from 1 April 2013 to 31 March 2016 and is subject to retirement and re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Each of Mr. Chang Nan and Dr. Dai Jinping, being the Independent Non-executive Directors of the Company, has executed a letter of appointment with the Company for a term of three years commencing from 27 June 2012 and is subject to retirement and re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

Mr. Yu Lei, being an Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for a term of three years from 9 March 2013 to 8 March 2016 and is subject to retirement and re-election at each annual general meeting of the Company pursuant to the Bye-laws of the Company.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 39 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

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

As at 31 December 2012, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
Chan Shu Kit	Interest of controlled corporations *(note)*	114,240,000	10.76%

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

Save as disclosed above, as at 31 December 2012, 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 XI of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period 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 2012, the persons (other than the Directors of the Company, whose interests have been disclosed in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures") had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(a) Long positions in shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
中國核工業建設集團公司 (China Nuclear Engineering Group Co.*) *(note 1)*	Interest of controlled corporations	400,000,000	37.67%
中國核工業建設股份有限公司 (China Nuclear Engineering Corporation Co., Ltd.*) *(note 1)*	Interest of controlled corporations	300,000,000	28.25%
中國核工業二三建設有限公司 (China Nuclear Industry 23 Construction Company Limited*) *(note 1)*	Interest of controlled corporation	300,000,000	28.25%
China Nuclear Industry 23 Construction (Hong Kong) Company Limited *(note 1)*	Beneficial owner	300,000,000	28.25%
中核投資有限公司 (Zhong He Investment Company Limited*) *(note 1)*	Interest of controlled corporation	100,000,000	9.41%
China He Investment (Hong Kong) Company Limited *(note 1)*	Beneficial owner	100,000,000	9.41%
Hoylake Holdings Limited *(note 2)*	Beneficial owner	114,240,000	10.76%
Zhao Xu Guang *(note 3)*	Interest of controlled corporations	84,676,000	7.98%
Prosper Alliance Investments Limited *(note 3)*	Beneficial owner	60,000,000	5.65%
Cheung Mui *(note 4)*	Interest of controlled corporation	60,000,000	5.65%
Grand Honest Limited *(note 4)*	Beneficial owner	60,000,000	5.65%

Notes:

1. 中國核工業建設集團公司 (China Nuclear Engineering Group Co.*) is deemed to be interest in 100,000,000 shares of the Company by virtue of its interests in 中核投資有限公司 (Zhong He Investment Company Limited*) ("Zhong He"), which in turn holds 100% interests in 中核投資（香港）有限公司 China He Investment (Hong Kong) Company Limited ("China He Investment HK"). Zhong He is deemed to be interested in these shares by virtue of its 100% interests in China He Investment HK.

   On the other hand, 中國核工業建設集團公司 (China Nuclear Engineering Group Co.*) is deemed to be interested in 300,000,000 shares of the Company by virtue of its 79.2% interests in 中國核工業建設股份有限公司 (China Nuclear Engineering Corporation Co., Ltd.*) ("CNECC"), which in turn holds 80% interests in 中國核工業二三建設有限公司 (China Nuclear Industry 23 Construction Company Limited*) ("CNI23"). CNI23 is deemed to be interested in these shares by virtue of its 100% interests in 中國核工業二三建設（香港）有限公司 China Nuclear Industry 23 Construction (Hong Kong) Company Limited.

2. A controlled corporation of Chan Shu Kit, details of which are disclosed in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

3. Prosper Alliance Investments Limited is wholly owned by Zhao Xu Guang. Mr Zhao is also the sole member of Rui Tong Investments Limited which holds 24,676,000 shares in the Company.

4. Grand Honest Limited is wholly owned by Cheung Mui.

* *for identification purpose only*

(b) Long positions in underlying shares of the Company:

Name	Capacity and nature of interest	Number of underlying shares held	Approximate percentage of shareholding
Jiang Hailing *(note 1)*	Interest of controlled corporation	100,000,000	9.41%
Shining Rejoice Limited *(note 1)*	Beneficial owner	100,000,000	9.41%

Note:

1 Such interests in 100,000,000 underlying shares of the Company are derived from the zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK$120,000,000, which are unlisted and physically settled. Jiang Hailing is deemed to be interested in these underlying shares by virtue of her 100% interests in Shining Rejoice Limited.

Save as disclosed above, as at 31 December 2012, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had an 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.

Directors' Report

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Name	Age	Position held	Business experience
Mr. Dong Yuchuan	50	Chairman and Non-executive Director	Mr. Dong joined the Company on 16 December 2011 and he joined CNI23 in 1980. He has more than 30 years of experience in the nuclear power plant construction industry working within CNI23 and was responsible for construction of nuclear power plants in the People's Republic of China (the "PRC"), including Daya Bay (大亞灣核電站), Tianwan (phase I) (田灣核電站(一期)) and Ling'ao (phase II) (嶺澳核電站(二期)). Mr. Dong is currently the deputy director general of 中國核工業建設集團公司 (China Nuclear Engineering Group Co.*), the Vice President of CNECC, the Chairman of the Board and Director General of CNI23. Mr. Dong was awarded with national prizes, such as the Working Model of China Central Government Enterprises in 2004 and the Outstanding Entrepreneur of Hebei Province in 2008.
Mr. Chan Shu Kit	64	Vice-Chairman and Executive Director	Mr. Chan is a co-founder of the Group and has over 40 years' experience in the catering business. He is responsible for the overall corporate strategy of the Group's catering and hotel businesses and is acting as director of some of the subsidiary companies of the Company.
Mr. Lei Jian	59	Executive Director	Mr. Lei joined the Company on 27 June 2011. He is an electrical and mechanical engineer in the PRC and has over 40 years of experience working in many areas in the mining of nuclear industry, administering the affairs of various departments, construction management and property investment and has extensive experience in corporate management. He held managerial positions in Xinjiang Mining and Metallurgy Bureau of Nuclear Industry, Nuclear Industry Yanning Company, Administration Bureau of China Nuclear Industry Corporation and Beijing China Nuclear Construction Co., Ltd. in the PRC. Prior to joining the Company, he has been the Chairman of Zhong He Investment Company Limited, the sole shareholder of China He Investment (Hong Kong) Company Limited which holds 100,000,000 shares of the Company.
Mr. Han Naishan	48	Executive Director	Mr. Han joined the Company on 27 June 2011 and he joined CNI23 since 1989 and has held various managerial positions in CNI23. Mr. Han is an experienced engineer and also has extensive experience in corporate management. Mr. Han is the senior engineer of the researcher grade with special sponsorship from the State Council. Prior to joining the Company, Mr. Han has been the Deputy Director General and Chief Engineer of CNI23. Mr. Han is also the Chairman of the Board and Director General of Nuclear Engineering Research and Design Co., Ltd (formerly known as Nuclear Engineering Institute of Design and Research).

Name	Age	Position held	Business experience
Mr. Guo Shuwei	46	Executive Director	Mr. Guo joined the Company on 16 December 2011 and he joined CNI23 in 1988. He has more than 20 years of experience in the nuclear power plant construction industry working within CNI23. He also participated in the Daya Bay Nuclear Power Plant (大亞灣核電站) project in the PRC and in charge of the nuclear islands installation project of Ningde Nuclear Power Plant Units 1 and 2 in Fujian Province. Mr. Guo is currently the Deputy Director of the Nuclear Power Engineering Department of 中國核工業建設集團公司 (China Nuclear Engineering Group Co.*), the General Manager of the International Department of CNECC and the Deputy Director General of CNI23 and he is also acting as director of some members of the Group. Mr. Guo was awarded with prizes by CNI23 in 2004 and 2005 for his contribution.
Mr. Chung Chi Shing	48	Executive Director	Mr. Chung joined the Company on 1 December 2010. He has more than 20 years of working experience and was an Executive Director and Chief Executive Officer of Central China Enterprises Limited (Stock Code: 351) from 2000 to 2004, a Director of a trading company of chemical products from 2005 to 2006 and a Director of Vega Science & Technology (HK) Co., Limited (a manufacturer of printed circuit board drilling machines) from 2007 to 2012. He is an Executive Director of Same Time Holdings Limited (stock code: 451) which shares are listed on the Stock Exchange.
Ms. Jian Qing	41	Executive Director	Ms. Jian joined the Company on 19 October 2009 and has been involved in the identifying suitable investments opportunities for the Company via her business network. Ms. Jian graduated from the Jilin University in China with a Bachelor degree in Economic. She also holds a degree of Master in Business Administration from the Lawrence Technology University in the United States. She has more than 16 years of experience in different areas of securities and financial management, which was gained from a number of securities companies in China.
Mr. Song Limin	37	Executive Director and Chief Executive Officer	Mr. Song joined the Company on 19 August 2011. He is also acting as director of some members of the Group. Mr. Song joined CNI23 in 2007 as the secretary to the Director General. From 25 May 2012, Mr. Song was no longer as the secretary of the Board of Directors of CNI23. Since Mr. Song has been serving CNI23 for several years, he has acquired substantial experiences. Mr. Song has also gained recognition in his work by achieving the award of the "Outstanding Worker" by Entrepreneurs Association of Hebei Province, the PRC from 2008 to 2010.
Mr. Chan Ka Ling, Edmond	54	Independent Non-executive Director	Mr. Chan is a partner of Chan and Chan, Certified Public Accountants. He is a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also a Director of Kreston CAC CPA Limited.

Name	Age	Position held	Business experience
Mr. Chang Nan	53	Independent Non-executive Director	Mr. Chang joined the Company on 27 June 2011. He has extensive experience in nuclear engineering and management. Mr. Chang held managerial positions in China Institute of Atomic Energy and Jiangsu Nuclear Power Corporation. Mr. Chang was a senior engineer of Ministry of Energy in 1992 and participated in Guangdong Nuclear Power Joint Venture Corporation to start up and put the first unit of Daya Bay Nuclear Power Plant into commercial operation. He was also the Deputy Director of Nuclear Power Bureau in China National Nuclear Corporation in 1995. From 1996 to 2005, Mr. Chang served as Deputy Director General and then Director General of Jiangsu Nuclear Power Corporation, responsible for all activities related to the engineering and construction of Tianwan Nuclear Power Plant. Mr. Chang served as Director General of the Nuclear Power Department, China Power Investment Corporation from 2005 to 2009. Mr. Chang is currently a member of International Nuclear Safety Group, International Atomic Energy Agency, a member of the Expert Committee on Nuclear Safety and Environment, State Department of Environmental Protection and also a member of the Expert Committee of China Nuclear Energy Industry Association.
Dr. Dai Jinping	48	Independent Non-executive Director	Dr. Dai joined the Company on 27 June 2011. Dr. Dai started working as an Associate Professor in economics of Nankai University since 1994. She then became a Professor and Director in economics at the Institute of International Economics in 2000 and an Associate Dean of the School of Financial Engineering in 2002. Dr. Dai is currently the Associate Dean and Professor of the Institute of Financial Development Research of Nankai University, a Professor in Economics of the Institute of International Economics at Nankai University and also the Vice Director of the Professor Centre for Transnational Corporations Studies of Nankai University. Dr. Dai has also worked as part-time Professor or Visiting Professor of other Universities. She is now a part-time Professor in economics of each of Xiamen University, Shandong College of Economics and Shanghai Lixin Institute of Accounting, all in the PRC. Dr. Dai was a Visiting Professor of each of Greenwich University, U.K. from 1995 to 1996, Columbia University, U.S.A. from 2001 to 2002, Helsinki Polytechnic, Finland in 2005 and National Kaohsiung University of Applied Sciences, KUAS, Taiwan in 2005. Dr. Dai is the Director of teaching committees China Society of World Economics, Vice-president of Tianjin Society of World Economics. Dr. Dai is an independent director of each of Tianjin Ringpu Bio-technology Co., Ltd. (天津瑞普生物技術股份有限公司) (a company listed in the Shenzhen stock exchange) and Tianjin Benefo Tejing Electric Co., Ltd. (天津百利特精電器股份有限公司), (a company listed in the Shanghai stock exchange).

Name	Age	Position held	Business experience
Mr. Yu Lei	44	Independent Non-executive Director	Mr. Yu joined the Company on 9 March 2012, he has over 20 years of extensive work experience. Mr. Yu began his career in 1993 as an accountant in the PRC assuming the duties in financial management, where he has acquired substantial experiences in financial analysis, internal control, tax planning, budget management and performing financial feasibility studies for investment projects. During his career, Mr. Yu has assumed different senior positions in various large corporations and has gained extensive knowledge and experience in supervising large scale investment projects, financial management and internal control compliance. He is an Independent Non-executive Director of Forebase International Holdings Limited (formerly known as Kwang Sung Electronics H.K. Co. Limited) (a company listed on the Stock Exchange).

* *for identification purpose only*

CHANGE OF DIRECTOR'S INFORMATION

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

- Mr. Song Limin was appointed as director of CNI23 New Energy Limited and Guoxin Energy Limited, members of the Group, on 16 November 2012 and 22 November 2012 respectively.

- Mr. Chung Chi Shing resigned as a Director of Vega Science & Technology (HK) Co., Limited in July 2012.

- Mr. Guo Shuwei was appointed as a director of CNI23 Overseas Development Limited, a member of the Group, on 26 June 2012.

- Mr. Chan Shu Kit resigned and Mr. Song Limin was appointed as authorized representative of the Company on 27 December 2012.

- Mr. Yu Lei was appointed as an independent non-executive director of Forebase International Holdings Limited (formerly known as Kwang Sung Electronics H.K. Co., Limited) a company listed in the Stock Exchange on 7 January 2013.

CONTINUING CONNECTED TRANSACTIONS

On 14 November 2012, CNI23 Overseas Development Limited ("CNI23 Overseas") entered into a framework agreement (the "Framework Agreement") with 中國核工業二三建設有限公司 (transliterated as China Nuclear Industry 23 Construction Company Limited) ("CNI23"), pursuant to which CNI23 Overseas has agreed to engage CNI23 as a construction sub-contractor exclusively to CNI23 Overseas' construction works for the construction project in the Missan Oil Fields of Buzurgan area in the Republic of Iraq during the term of the Framework Agreement. On 14 November 2012 and after signing of the Framework Agreement, CNI23 Overseas entered into a sub-contracting agreement (the "Sub-contracting Agreement") with CNI23, pursuant to which the detailed terms for the construction works required to be provided by CNI23 are provided as required by the Framework Agreement. The transactions contemplated under the Framework Agreement and the Sub-contracting Agreement 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 Company's announcement dated 14 November 2012.

Directors' Report

The aggregate annual values of the continuing connected transactions have not exceeded the maximum aggregate annual values of relevant amount disclosed in the announcement dated 14 November 2012 made by the Company in respect of each of the continuing connected transactions.

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

(1) the terms of the Framework Agreement and the Sub-contracting Agreement governing each of the continuing connected transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole;

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

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

HLB Hodgson Impey Cheng Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants. HLB Hodgson Impey Cheng Limited have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

At the close of the 2011 annual general meeting held on 18 August, 2011, Ernst & Young retired as the auditor of the Group upon expiration of its term of office and HLB Hodgson Impey Cheng was appointed as the new auditors of the Group to hold the office until the conclusion of the 2012 annual general meeting.

At the close of the 2012 annual general meeting held on 28 August 2012, HLB Hodgson Impey Cheng retired as the auditors of the Group upon expiration of its term of office and HLB Hodgson Impey Cheng Limited was appointed as the new auditor of the Group to hold the office until the conclusion of the 2013 annual general meeting.

HLB Hodgson Impey Cheng Limited will retire and a resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dong Yuchuan
Chairman

Hong Kong, 15 March 2013

Independent Auditor's Report

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

Chartered Accountants
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA NUCLEAR INDUSTRY 23 INTERNATIONAL CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Nuclear Industry 23 International Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 87, which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 April 2012 to 31 December 2012, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of its profit and cash flows for the period from 1 April 2012 to 31 December 2012 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 15 March 2013

Consolidated Statement of Comprehensive Income

For the period from 1 April 2012 to 31 December 2012

	Notes	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Revenue	7	**233,622**	300,097
Other revenue and gains	7	**3,668**	11,666
Cost of inventories used		**(67,795)**	(94,458)
Construction costs		**(9,549)**	—
Staff costs		**(67,994)**	(88,505)
Rental expenses		**(31,146)**	(41,084)
Utility expenses		**(15,420)**	(20,943)
Depreciation	16	**(5,259)**	(7,251)
Other operating expenses		**(39,035)**	(57,977)
Fair value gains on derivative financial instruments, net		**45,921**	506,248
Finance costs	8	**(15,793)**	(14,119)
Share of result of associates, net	20	**6,739**	972
Profit before taxation	9	**37,959**	494,646
Income tax expense	12	**(1,238)**	(1,219)
Profit for the period/year		**36,721**	493,427
Other comprehensive (loss)/income for the period/year, net of tax			
(Loss)/gain on property revaluation		**(66)**	579
Share of other comprehensive (loss)/income of associates		**(87)**	600
Total comprehensive income for the period/year		**36,568**	494,606
Profit for the period/year attributable to:			
Owners of the Company		**37,598**	492,587
Non-controlling interests		**(877)**	840
		36,721	493,427
Total comprehensive income attributable to:			
Owners of the Company		**37,445**	493,766
Non-controlling interests		**(877)**	840
		36,568	494,606
Earnings/(loss) per share attributable to owners of the Company			
— Basic (HK$ per share)	15	**0.04**	0.71
— Diluted (HK$ per share)	15	**0.00**	(0.02)

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

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	31 December 2012 HK$'000	31 March 2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**22,765**	21,517
Investment properties	17	**38,000**	38,000
Prepaid land lease payments	18	**6,897**	6,972
Available-for-sale investment	22	**500**	500
Goodwill	19	**105,440**	105,440
Interest in associates	20	**164,669**	96,051
Deferred tax assets, net	32	**2,349**	2,324
		340,620	270,804
Current assets			
Inventories		**8,353**	6,898
Trade receivables	23	**1,596**	923
Prepayments and deposits	24	**19,614**	19,167
Amount due from customer for contract work	25	**11,933**	—
Cash and cash equivalents	26	**235,422**	243,272
		276,918	270,260
Less: Current liabilities			
Trade payables	27	**14,500**	5,354
Other payables and accruals	28	**20,805**	20,719
Provision for long service payments	29	**2,249**	1,453
Tax payable		**1,904**	663
Derivative financial instruments	31	**76,452**	239,026
		115,910	267,215
Net current assets		**161,008**	3,045
Total assets less current liabilities		**501,628**	273,849

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	31 December 2012 HK$'000	31 March 2012 HK$'000
Less: Non-current liabilities			
Convertible bonds	30	**64,480**	48,687
Receipt in advance		**900**	650
Deferred tax liabilities, net	32	**27**	5
		65,407	49,342
Net assets		**436,221**	224,507
Capital and reserves			
Share capital	33	**106,166**	96,732
Reserves	34	**329,903**	126,746
Equity attributable to owners of the Company		**436,069**	223,478
Non-controlling interests		**152**	1,029
Total equity		**436,221**	224,507

Approved by the Board of Directors on 15 March 2013 and signed on its behalf by:

Mr. Chan Shu Kit
Director

Mr. Song Limin
Director

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

Consolidated Statement of Changes in Equity

For the period from 1 April 2012 to 31 December 2012

	Attributable to owners of the Company							
	Issued share capital HK$'000	Share premium HK$'000	Building revaluation reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Exchange reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 March 2011 and 1 April 2011	56,732	711,292	463	(1,461,234)	—	(692,747)	2,639	(690,108)
Profit for the year	—	—	—	492,587	—	492,587	840	493,427
Other comprehensive income for the year:								
Surplus arising from revaluation of building	—	—	579	—	—	579	—	579
Share of other comprehensive income of an associate	—	—	—	—	600	600	—	600
Total comprehensive income for the year	—	—	579	492,587	600	493,766	840	494,606
Conversion of convertible bonds	40,000	382,459	—	—	—	422,459	—	422,459
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	(2,450)	(2,450)
At 31 March 2012 and 1 April 2012	96,732	1,093,751	1,042	(968,647)	600	223,478	1,029	224,507
Profit for the period	—	—	—	37,598	—	37,598	(877)	36,721
Other comprehensive loss for the period:								
Deficit arising from revaluation of building	—	—	(66)	—	—	(66)	—	(66)
Share of other comprehensive loss of associates	—	—	—	—	(87)	(87)	—	(87)
Total comprehensive income/(loss) for the period	—	—	(66)	37,598	(87)	37,445	(877)	36,568
Issue of shares upon exercise of warrants	9,434	165,712	—	—	—	175,146	—	175,146
At 31 December 2012	**106,166**	**1,259,463**	**976**	**(931,049)**	**513**	**436,069**	**152**	**436,221**

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

Consolidated Statement of Cash Flows

For the period from 1 April 2012 to 31 December 2012

	Notes	**9 months ended 31 December 2012 HK$'000**	12 months ended 31 March 2012 HK$'000
Cash flows from operating activities			
Profit before taxation		**37,959**	494,646
Adjustments for:			
Fair value gains on derivative financial instruments		**(45,921)**	(506,248)
Finance costs	8	**15,793**	14,119
Interest income	7	**(1,977)**	(1,399)
Depreciation	16	**5,259**	7,251
Recognition of prepaid land lease payments	9	**75**	101
Fair value gains on investment properties	7	**—**	(8,500)
Share of results of associates	20	**(6,739)**	(972)
Operating cash flow before working capital changes		**4,449**	(1,002)
Increase in inventories		**(1,455)**	(2,993)
(Increase)/decrease in trade receivables		**(673)**	46
Increase in prepayments, deposits and other receivables		**(447)**	(1,370)
Increase in amount due from customer for contract work		**(11,933)**	—
Increase/(decrease) in trade payables		**9,146**	(287)
Increase in other payables and accruals		**86**	97
Increase in receipt in advance		**250**	650
Increase in provision for long service payments		**796**	393
Cash generated from/(used in) operations		**219**	(4,466)
Hong Kong profits tax paid		**—**	(804)
Net cash inflows/(outflows) from operating activities		**219**	(5,270)

Consolidated Statement of Cash Flows

For the period from 1 April 2012 to 31 December 2012

	Notes	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Cash flows from investing activities			
Purchase of items of property, plant and equipment	16	**(6,573)**	(7,208)
Interest received		**1,977**	1,399
Net cash outflow arising on acquisition of subsidiaries	35	**—**	(79,919)
Investment in an associate		**(61,966)**	—
Decrease/(increase) in short term deposits with original maturity of more than three months		**156,689**	(96,206)
Net cash inflows/(outflows) from investing activities		**90,127**	(181,934)
Cash flows from financing activities			
Issue of shares upon exercise of warrants		**58,493**	—
Dividend paid to a non-controlling shareholder		**—**	(2,450)
Net cash inflows/(outflows) from financing activities		**58,493**	(2,450)
Net increase/(decrease) in cash and cash equivalents		**148,839**	(189,654)
Cash and cash equivalents at the beginning of the period/year		**86,583**	276,237
Cash and cash equivalents at the end of the period/year		**235,422**	86,583
Analysis of balances of cash and cash equivalents			
Cash and bank balances	26	**96,422**	51,039
Time deposits	26	**139,000**	192,233
Cash and cash equivalents as stated in the consolidated statement of financial position		**235,422**	243,272
Time deposit with original maturity of more than three months		**—**	(156,689)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**235,422**	86,583

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

Statement of Financial Position

As at 31 December 2012

	Notes	31 December 2012 HK$'000	31 March 2012 HK$'000
Non-current assets			
Investments in subsidiaries	21	**596,622**	538,595
Current assets			
Cash and bank balances	26	**210**	202
Less: Current liabilities			
Other payables and accruals	28	**12**	12
Derivative financial instruments	31	**76,452**	239,026
		76,464	239,038
Net current liabilities		**(76,254)**	(238,836)
Total assets less current liabilities		**520,368**	299,759
Less: Non-current liabilities			
Convertible bonds	30	**64,480**	48,687
Due to subsidiaries	21	**40,954**	36,493
		105,434	85,180
Net assets		**414,934**	214,579
Capital and reserves			
Share capital	33	**106,166**	96,732
Reserves	34	**308,768**	117,847
Total equity		**414,934**	214,579

Approved by the Board of Directors on 15 March 2013 and signed on its behalf by:

Mr. Chan Shu Kit
Director

Mr. Song Limin
Director

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

Notes to the Consolidated Financial Statements

For the period from 1 April 2012 to 31 December 2012

1. CORPORATE INFORMATION

China Nuclear Industry 23 International Corporation Limited (the "Company") is a limited liability company incorporated in Bermuda. 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 Company announced on 13 July 2012 that the financial year end date of the Company was changed from 31 March to 31 December commencing from the current period to align the financial year end date of the Company with that of its intermediate holding company. Accordingly, the consolidated financial statements of the Group for the current period cover the 9 months period from 1 April 2012 to 31 December 2012. The corresponding amounts shown for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes cover the 12 months period from 1 April 2011 to 31 March 2012 and therefore may not be comparable with the amounts shown for the current period.

During the period from 1 April 2012 to 31 December 2012, the Company and its subsidiaries (collectively referred to as the "Group") were engaged in the following principal activities:

- restaurant operations
- property investments
- hotel operations

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

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued certain new and revised standards, amendments and interpretations ("new and revised HKFRSs") that are mandatory for accounting periods beginning on or after 1 April 2012. The new and revised standards, amendments and interpretations adopted in the current period are referred to as new and revised HKFRSs. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below.

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The directors of the Company (the "Directors") anticipate that the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

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

The Group has not applied in advance the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 1	Government Loans[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011 Amendments)	Investment Entities[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

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

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described below:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards will have no impact to the Group's consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

HKFRS 7 and HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 Presentation of Financial Statements;
- amendments to HKAS 16 Property, Plant and Equipment; and
- amendments to HKAS 32 Financial Instruments: Presentation.

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

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012 (continued)

HKAS 1 (Amendments)

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

HKAS 16 (Amendments)

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

HKAS 32 (Amendments)

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the period from 1 April 2012 to 31 December 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A summary of significant accounting policies adopted by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention except for building, investment properties and certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the current period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary in an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

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

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the statement of comprehensive income in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related party transactions

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchases price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Building	2%
Furniture and fixtures	15–20%
Air-conditioning plant	15–20%
Electrical appliances	20%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Investment properties

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

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

Kitchen utensils, linen and uniforms

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rental payable under the operating leases net of any incentives received from the lessor are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group 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 impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, amount due to a director, amount due to a shareholder and obligation under finance lease) are subsequently measured at amortised cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Convertible bonds

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

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions and contingent liabilities

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

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 benefit is remote. Possible obligations, whose existence 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises the tax currently payable and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of 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 comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas operations are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their consolidated statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

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

Segment reporting

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment

In accordance with HKAS 16, 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.

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

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

(c) Operating lease commitments — Group as lessor

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

(d) Fair value of investment properties and building

Investment properties and buildings are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve considering information from current prices in an active market for similar properties or making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and buildings, the corresponding adjustments to the gain or loss recognised in the consolidated statement of comprehensive income and building revaluation reserve. During the nine months ended 31 December 2012, deficit arising from revaluation of buildings of approximately HK$66,000 (twelve months ended 31 March 2012: surplus of HK$579,000) was recognised in the building revaluation reserve. Fair value gains on investment properties for the nine months ended 31 December 2012 were approximately nil (twelve months ended 31 March 2012: HK$8,500,000). Further details are contained in notes 16 and 17 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

(e) 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 2012 was approximately HK$3,210,000 (31 March 2012: HK$3,173,000). The amount of unrecognised tax losses at 31 December 2012 was approximately HK$72,698,000 (31 March 2012: HK$70,448,000). Further details are contained in note 32 to the financial statements.

(f) Estimation of fair value of derivative financial instruments

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

(g) Estimation of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	The Group		The Company	
	31 December 2012 HK$'000	31 March 2012 HK$'000	**31 December 2012 HK$'000**	31 March 2012 HK$'000
Financial assets — Loans and receivables				
Loan to a subsidiary	**—**	—	**331,693**	273,666
Trade receivables	**1,596**	923	**—**	—
Financial assets included in prepayments and deposits	**18,458**	17,277	**—**	—
Amount due from customer for contract work	**11,933**	—	**—**	—
Cash and cash equivalents	**235,422**	243,272	**210**	202
	267,409	261,472	**331,903**	273,868
Financial assets — Available-for-sale- financial assets				
Available-for-sale investments	**500**	500	**—**	—
Financial liabilities — Financial liabilities at amortised cost				
Due to subsidiaries	**—**	—	**40,954**	36,493
Trade payables	**14,500**	5,354	**—**	—
Financial liabilities included in other payables and accruals	**6,557**	7,506	**12**	12
Convertible bonds	**64,480**	48,687	**64,480**	48,687
	85,537	61,547	**105,446**	85,192

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(a) Categories of financial instruments (continued)

	The Group		The Company	
	31 December 2012 HK$'000	31 March 2012 HK$'000	**31 December 2012 HK$'000**	31 March 2012 HK$'000
Financial liabilities —Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**76,452**	239,026	**76,452**	239,026

(b) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, mainly comprise cash, short term deposits and convertible bonds. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and equity price risk. The directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

(i) Foreign currency risk management

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective subsidiaries. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk management

The Group and the Company have no significant interest-bearing assets and liabilities. The Group and the Company has no significant interest rate risk as at 31 December 2012.

Credit risk

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the consolidated financial statements.

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Liquidity risk

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

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

	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to less than 2 years HK\$'000	2 to less than 3 years HK\$'000	Total undiscounted amount HK\$'000	Total carrying amount HK\$'000
At 31 December 2012						
The Group						
Trade payables	**14,500**	**—**	**—**	**—**	**14,500**	**14,500**
Financial liabilities included in other payables and accruals	**6,557**	**—**	**—**	**—**	**6,557**	**6,557**
Convertible bonds	**—**	**—**	**120,000**	**—**	**120,000**	**64,480**
	21,057	**—**	**120,000**	**—**	**141,057**	**85,537**
At 31 March 2012						
The Group						
Trade payables	5,354	—	—	—	5,354	5,354
Financial liabilities included in other payables and accruals	7,506	—	—	—	7,506	7,506
Convertible bonds	—	—	—	120,000	120,000	48,687
	12,860	—	—	120,000	132,860	61,547

	On demand HK\$'000	Within 1 year HK\$'000	1 to less than 2 years HK\$'000	2 to less than 3 years HK\$'000	Total undiscounted amount HK\$'000	Total carrying amount HK\$'000
At 31 December 2012						
The Company						
Due to subsidiaries	**—**	**—**	**40,954**	**—**	**40,954**	**40,954**
Financial liabilities included in other payables and accruals	**—**	**12**	**—**	**—**	**12**	**12**
Convertible bonds	**—**	**—**	**120,000**	**—**	**120,000**	**64,480**
	—	**12**	**160,954**	**—**	**160,966**	**105,446**
At 31 March 2012						
The Company						
Due to subsidiaries	—	—	36,493	—	36,493	36,493
Financial liabilities included in other payables and accruals	—	12	—	—	12	12
Convertible bonds	—	—	—	120,000	120,000	48,687
	—	12	36,493	120,000	156,505	85,192

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Equity risk

The following table demonstrates the sensitivity to every 10% change in the fair value of the warrants and the embedded derivatives of convertible bonds as detailed in note 30, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount HK$'000	Increase/ (decrease) in profit before taxation HK$'000	Increase/ (decrease) in equity HK$'000
31 December 2012			
If share price increased by 10%			
Embedded derivatives of convertible bonds	**76,452**	**(15,267)**	**(15,267)**
If share price decreased by 10%			
Embedded derivatives of convertible bonds	**76,452**	**16,267**	**16,267**
31 March 2012			
If share price increased by 10%			
Warrant liabilities	151,956	(21,038)	(21,038)
Embedded derivatives of convertible bonds	87,070	(15,231)	(15,231)
If share price decreased by 10%			
Warrant liabilities	151,956	21,033	21,033
Embedded derivatives of convertible bonds	87,070	13,975	13,975

Fair value estimation

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

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

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

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Fair value estimation (continued)

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

	31 December 2012		31 March 2012	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible bonds	**64,480**	**92,217**	48,687	79,621

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2012, the derivative financial instruments amounting to approximately HK$76,452,000 (31 March 2012: HK$239,026,000) are measured at fair value in Level 3 and the movement under the Level 3 fair value measurements during the period/year are as follow:

	Derivative financial instruments	
	31 December 2012 HK$'000	31 March 2012 HK$'000
At beginning of the period/year	**239,026**	903,377
Issuance of convertible bonds	—	80,794
Fair value gains recognised in the consolidated statement of comprehensive income	**(45,921)**	(506,248)
Conversion of convertible bonds	—	(238,897)
Exercise of warrants	**(116,653)**	—
At the end of the period/year	**76,452**	239,026

Fair value gains of approximately HK$10,618,000 included in the consolidated statement of comprehensive income for the nine months ended 31 December 2012 (twelve months ended 31 March 2012: HK$120,863,000) relate to derivative financial instruments held at the end of the reporting period.

There are no transfer between Level 1 and 2 for the nine months ended 31 December 2012 and the twelve months ended 31 March 2012.

5. 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 nine months ended 31 December 2012 and the twelve months ended 31 March 2012.

Gearing ratio

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

	31 December 2012 HK$'000	31 March 2012 HK$'000
Debt#	**64,480**	48,687
Total equity	**436,221**	224,507
Gearing ratio	**0.15**	0.22

Total debt comprises convertible bonds as detailed in note 30.

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

6. SEGMENT INFORMATION

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

- the restaurant segment comprises the Group's restaurant operations;
- the property segment comprises the Group's property investments;
- the hotel segment comprises the Group's hotel operations; and
- the corporate segment comprises the Group's corporate income and expense items.

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

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

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

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

Except for the Group's revenue from external customer of approximately HK$14,917,000 which was derived from the Group's operations in overseas, all of the Group's revenue from external customers is derived from the Group's operations in Hong Kong. Except for the interest in associates amounted to approximately HK$164,669,000 as at 31 December 2012 (31 March 2012: HK$96,051,000), and property, plant and equipment amounted to approximately HK$2,375,000 as at 31 December 2012 (31 March 2012: Nil), no non-current assets of the Group are located outside Hong Kong (31 March 2012: Nil).

During the nine months ended 31 December 2012 and the twelve months ended 31 March 2012, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

6. SEGMENT INFORMATION (continued)

	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	Corporate HK$'000	Total HK$'000
9 months ended 31 December 2012					
Segment revenue:					
Sales to external customers	198,778	250	19,677	14,917	233,622
Intersegment sales	—	16,206	—	8,928	25,134
Other revenue and gains	366	—	1,004	321	1,691
Intersegment other revenue and gains	—	—	—	1,013	1,013
	199,144	16,456	20,681	25,179	261,460
Reconciliation:					
Elimination of intersegment sales					(25,134)
Elimination of intersegment other revenue and gains					(1,013)
Total					235,313
Segment results	6,010	360	6,760	(14,015)	(885)
Reconciliation:					
Interest income and unallocated gains					1,977
Imputed interest on convertible bonds					(15,793)
Fair value gains on derivative financial Instruments, net					45,921
Share of result of associates, net					6,739
Profit before taxation					37,959
At 31 December 2012					
Segment assets	62,507	54,969	6,436	220,668	344,580
Reconciliation:					
Unallocated assets					272,958
Total assets					617,538
Segment liabilities	20,775	327	5,938	11,414	38,454
Reconciliation:					
Unallocated liabilities					142,863
Total liabilities					181,317
Other segment information:					
Depreciation	3,637	59	957	606	5,259
Additions to non-current assets	4,063	—	58	2,452	6,573*

* Additions to non-current assets represents additions to property, plant and equipment

Included in the unallocated assets, there are goodwill and interest in associates amounted to approximately HK$105,440,000 and HK$164,669,000 respectively arising from the acquisition of subsidiaries and investment in associates. Details of the acquisition of subsidiaries and investment in associates were set out in notes 35 and 20 respectively. Included in the unallocated liabilities, there are convertible bonds and derivative financial instruments amounted to approximately HK$64,480,000 and HK$76,452,000 respectively.

6. SEGMENT INFORMATION (continued)

	Restaurant HK$'000	Property HK$'000	Hotel HK$'000	Corporate HK$'000	Total HK$'000
12 months ended 31 March 2012					
Segment revenue:					
Sales to external customers	273,956	748	25,393	—	300,097
Intersegment sales	—	19,382	—	11,678	31,060
Other revenue and gains	122	8,500	1,340	305	10,267
Intersegment other revenue and gains	—	—	—	894	894
	274,078	28,630	26,733	12,877	342,318
Reconciliation:					
Elimination of intersegment sales					(31,060)
Elimination of intersegment other revenue and gains					(894)
Total					310,364
Segment results	55	8,217	9,471	(17,597)	146
Reconciliation:					
Interest income and unallocated gains					1,399
Imputed interest on convertible bonds					(14,119)
Fair value gains on derivative financial instruments, net					506,248
Share of result of an associate, net					972
Profit before taxation					494,646
At 31 March 2012					
Segment assets	51,864	55,020	7,002	222,863	336,749
Reconciliation:					
Unallocated assets					204,315
Total assets					541,064
Segment liabilities	17,929	777	5,868	3,602	28,176
Reconciliation:					
Unallocated liabilities					288,381
Total liabilities					316,557
Other segment information:					
Depreciation	5,087	81	1,666	417	7,251
Fair value gains on investment properties	—	(8,500)	—	—	(8,500)
Additions to non-current assets	6,316	—	24	868	7,208*

* Additions to non-current assets represents additions to property, plant and equipment

Included in the unallocated assets, there are goodwill and interest in an associate amounted to approximately HK$105,440,000 and HK$96,051,000 respectively arising from the acquisition of subsidiaries. Details of the acquisition of subsidiaries and investment in an associate were set out in notes 35 and 20 respectively. Included in the unallocated liabilities, there are convertible bonds and derivative financial instruments amounted to approximately HK$48,687,000 and HK$239,026,000 respectively.

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7. REVENUE, OTHER REVENUE AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, the appropriate proportion of contract revenue of construction contracts, and the rental income received and receivable from investment properties and hotel operations during the period.

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

	The Group	
	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Revenue:		
Receipts from restaurant operations	**198,778**	273,956
Hotel operations	**19,677**	25,393
Construction contract revenue	**14,917**	—
Gross rental income *(note 9)*	**250**	748
	233,622	300,097
Other revenue:		
Bank interest income	**1,977**	1,399
Others	**1,691**	1,767
	3,668	3,166
Gains:		
Fair value gains on investment properties *(note 17)*	**—**	8,500
	3,668	11,666

8. FINANCE COSTS

	The Group	
	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Imputed interest on convertible bonds *(note 30)*	**15,793**	14,119

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9. PROFIT BEFORE TAXATION

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

	The Group	
	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Minimum lease payments under operating leases:		
Land and buildings	**31,146**	41,084
Office equipment	**125**	173
	31,271	41,257
Recognition of prepaid land lease payments *(note 18)*	**75**	101
Fair value gains on investment properties *(note 17)*	**—**	(8,500)
Auditors' remuneration	**880**	880
Staff costs (including directors' and chief executive's remuneration *(note 10)*):		
Wages, salaries and bonuses	**64,441**	84,040
Provision for long service payments, net *(note 29)*	**887**	802
Pension scheme contributions	**2,666**	3,663
Total staff costs	**67,994**	88,505
Gross rental income	**(250)**	(748)
Less: outgoings	**52**	94
Net rental income	**(198)**	(654)

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	The Group	
	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Fees	**461**	504
Other emoluments:		
Salaries, allowances and benefits in kind	**3,159**	3,874
Pension scheme contributions	**44**	48
	3,664	4,426

(a) Independent non-executive directors

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

	The Group	
	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Mr. Chan Ka Ling, Edmond	**113**	150
Mr. Chang Nan (appointed on 27 June 2011)	**113**	114
Dr. Dai Jinping (appointed on 27 June 2011)	**113**	114
Mr. Yu Lei (appointed on 9 March 2012)	**122**	—
Mr. Kung Fan Cheong (resigned on 18 August 2011)	**—**	63
Mr. Lo Kin Cheung (resigned on 18 August 2011)	**—**	63
	461	504

There were no other emoluments payable to the independent non-executive directors during the nine months ended 31 December 2012 (for the twelve months ended 31 March 2012: Nil).

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For the period from 1 April 2012 to 31 December 2012

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

(b) Executive directors and non-executive director

	The Group			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
9 months ended 31 December 2012				
Executive directors:				
Mr. Chan Shu Kit	—	**756**	**11**	**767**
Mr. Lei Jian	—	—	—	—
Mr. Han Naishan	—	—	—	—
Mr. Guo Shuwei	—	—	—	—
Mr. Chan Ho Man (resigned on 27 December 2012)	—	**522**	**11**	**533**
Mr. Chung Chi Shing	—	**720**	**11**	**731**
Ms. Jian Qing	—	**540**	**11**	**551**
Mr. Song Limin	—	**621**	—	**621**
	—	**3,159**	**44**	**3,203**
Non-executive director:				
Mr. Dong Yuchuan	—	—	—	—

	The Group			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
12 months ended 31 March 2012				
Executive directors:				
Mr. Chan Shu Kit	—	1,008	12	1,020
Mr. Lei Jian (appointed on 27 June 2011)	—	—	—	—
Mr. Han Naishan (appointed on 27 June 2011)	—	—	—	—
Mr. Guo Shuwei (appointed on 16 December 2011)	—	—	—	—
Mr. Chan Ho Man	—	696	12	708
Mr. Chung Chi Shing	—	960	12	972
Ms. Jian Qing	—	720	12	732
Mr. Song Limin (appointed on 19 August 2011)	—	490	—	490
	—	3,874	48	3,922
Non-executive director:				
Mr. Dong Yuchuan (appointed on 16 December 2011)	—	—	—	—

There was no arrangement under which a director and the chief executive officer waived or agreed to waive any remuneration during the nine months ended 31 December 2012 (for the twelve months ended 31 March 2012: Nil).

Mr. Song Limin, the executive director of the Company, was also the chief executive officer during the nine months ended 31 December 2012.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the nine months ended 31 December 2012 included five (twelve months ended 31 March 2012: five) directors, details of whose remuneration are set out in note 10 above.

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

	Number of employees	
	9 months ended 31 December 2012	12 months ended 31 March 2012
Nil to HK$1,000,000	**—**	—

12. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (twelve months ended 31 March 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	The Group	
	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Current tax — Hong Kong		
Charge for the period/year	**1,241**	1,983
Deferred tax *(note 32)*	**(3)**	(764)
Tax charge for the period/year	**1,238**	1,219

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

	The Group			
	9 months ended 31 December 2012		12 months ended 31 March 2012	
	HK$'000	**%**	HK$'000	%
Profit before taxation	**37,959**		494,646	
Tax at the statutory tax rate	**6,263**	**16.5**	81,617	16.5
Income not subject to tax	**(11,749)**	**(31.0)**	(85,325)	(17.3)
Expenses not deductible for tax	**5,117**	**13.5**	3,965	0.8
Tax losses utilised from previous periods	**(68)**	**(0.2)**	(936)	(0.2)
Tax loss not recognised	**1,793**	**4.7**	1,993	0.4
Temporary differences not recognised	**(118)**	**(0.3)**	(95)	(0.0)
Tax charge for the period/year	**1,238**	**3.2**	1,219	0.2

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13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the nine months ended 31 December 2012 included a profit of approximately HK$25,209,000 (for the twelve months ended 31 March 2012: profit of approximately HK$482,705,000) which has been dealt with in the financial statements of the Company (note 34 (b)).

14. DIVIDEND

No dividend has been declared or proposed by the Directors of in respect of the nine months ended 31 December 2012 (for the twelve months ended 31 March 2012: Nil).

15. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Earnings/(loss)		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**37,598**	492,587
Fair value gains on derivative financial instruments	**(35,303)**	(512,524)
Imputed interest expense for the period/year relating to the liabilities component of the dilutive convertible bonds	**—**	4,638
Gain/(loss) attributable to owners of the Company, used in the diluted earnings/(loss) per share calculation	**2,295**	(15,299)
Number of shares		
Weighted average number of ordinary shares in issue during the period/year used in the basic earnings per share calculation	**994,540,122**	696,283,369
Effect of dilution on weighted average number of ordinary shares:		
Warrants	**45,382,264**	221,310,859
Convertible bonds	**—**	71,376,146
Weighted average number of ordinary shares in issue during the period/year used in the diluted earnings/(loss) per share calculation	**1,039,922,386**	988,970,374

The Company's outstanding zero coupon convertible bonds with principal amount of HK$120,000,000 issued on 1 September 2011 were not included in the calculation of diluted earnings per share for the nine months ended 31 December 2012 and the diluted loss per share for the twelve months ended 31 March 2012 because the effects of the aforesaid outstanding convertible bonds were anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building HK$'000	Furniture and fixtures HK$'000	Air-conditioning plant HK$'000	Electrical appliances HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Kitchen utensils, linen and uniforms HK$'000	Total HK$'000
Cost or valuation:								
At 1 April 2011	3,528	36,952	5,862	9,244	532	580	2,481	59,179
Additions	—	4,578	806	1,014	103	671	36	7,208
Surplus on revaluation	498	—	—	—	—	—	—	498
At 31 March 2012 and 1 April 2012	4,026	41,530	6,668	10,258	635	1,251	2,517	66,885
Additions	—	5,506	498	553	16	—	—	6,573
Deficit on revaluation	(124)	—	—	—	—	—	—	(124)
At 31 December 2012	3,902	47,036	7,166	10,811	651	1,251	2,517	73,334
Accumulated depreciation and impairment:								
At 1 April 2011	—	26,042	4,071	7,465	400	220	—	38,198
Charge for the year	81	5,010	870	1,140	59	91	—	7,251
Surplus on revaluation	(81)	—	—	—	—	—	—	(81)
At 31 March 2012 and 1 April 2012	—	31,052	4,941	8,605	459	311	—	45,368
Charge for the period	58	3,685	535	623	55	303	—	5,259
Deficit on revaluation	(58)	—	—	—	—	—	—	(58)
At 31 December 2012	—	34,737	5,476	9,228	514	614	—	50,569
Net book value:								
At 31 December 2012	**3,902**	**12,299**	**1,690**	**1,583**	**137**	**637**	**2,517**	**22,765**
At 31 March 2012	4,026	10,478	1,727	1,653	176	940	2,517	21,517
Analysis of cost or valuation:								
31 December 2012								
At cost	—	**47,036**	**7,166**	**10,811**	**651**	**1,251**	**2,517**	**69,432**
At valuation	**3,902**	—	—	—	—	—	—	**3,902**
	3,902	**47,036**	**7,166**	**10,811**	**651**	**1,251**	**2,517**	**73,334**
31 March 2012								
At cost	—	41,530	6,668	10,258	635	1,251	2,517	62,859
At valuation	4,026	—	—	—	—	—	—	4,026
	4,026	41,530	6,668	10,258	635	1,251	2,517	66,885

The Group's buildings were revalued at 31 December 2012, by Asset Appraisal Limited, independent professionally qualified valuers, on a market approach, by reference to market evidence of transaction prices for similar properties.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$2,620,000 at 31 December 2012 (31 March 2012: HK$2,682,000).

During the period, deficit arising from revaluation of buildings of approximately HK$66,000 (31 March 2012: surplus of HK$579,000) was recognised in the building revaluation reserve.

17. INVESTMENT PROPERTIES

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Carrying amount at beginning of the period/year	**38,000**	29,500
Fair value gains on revaluation *(note 7)*	**—**	8,500
Carrying amount at the end of the period/year	**38,000**	38,000

The Group's investment properties were revalued at 31 December 2012, by Asset Appraisal Limited, independent professionally qualified valuers, on a market approach, by reference to market evidence of transaction prices for similar properties.

The investment properties are situated in Hong Kong and are held under medium term leases. They are leased to third parties under operating leases, further summary details of which are included in note 37 to the consolidated financial statements. Details of the investment properties are as follows:

Location	**Use**
Lot No. 237 in Demarcation District No. 331, No. 2 Cheung Fu Street, Lantau Island, New Territories	Investment property for rental income

18. PREPAID LAND LEASE PAYMENTS

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Carrying amount at beginning of the period/year	**7,073**	7,174
Amortised for the period/year	**(75)**	(101)
Carrying amount at the end of the period/year	**6,998**	7,073
Current portion included in prepayments and deposits	**(101)**	(101)
Non-current portion	**6,897**	6,972

18. PREPAID LAND LEASE PAYMENTS (continued)

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

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Long term leases	**4,965**	4,998
Medium term leases	**1,932**	1,974
	6,897	6,972

19. GOODWILL

Movement of goodwill during the period is as follows:

The Group

	HK$'000
Cost:	
At 1 April 2011	—
Acquisition of subsidiaries *(note 35)*	105,440
At 31 March 2012, 1 April 2012 and 31 December 2012	105,440
Impairment:	
At 1 April 2011, 1 April 2012 and 31 December 2012	—
Carrying amount:	
At 31 December 2012	**105,440**
At 31 March 2012	105,440

During the year ended 31 March 2012, the Group completed the acquisition of Well Link Capital Limited ("Well Link"). Details of the acquisition were set out in note 35. The Group's goodwill related to Well Link which was acquired by the Group during the year ended 31 March 2012.

As at 31 December 2012, with regard to the current market situation, the Directors reviewed the carrying amount of goodwill arising from the acquisition of subsidiaries. The recoverable amount of Well Link has been determined based on a value in use calculation using cash flow projections based on financial budget covering five years approved by senior management. The discount rate applied to the cash flow projections is 13.24% per annum. The growth rate used are based on the estimated growth rate of Well Link taking into account the industry growth rate, past experience and the medium or long term growth target of Well Link.

19. GOODWILL (continued)

Key assumptions were used in the value in use calculation of the cash-generating unit which goodwill has been allocated for the nine months ended 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — Average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates — Pre-tax risk adjusted discount rates reflecting specific risks in relation to the relevant units.

20. INTEREST IN ASSOCIATES

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Cost of investment in associates	**156,445**	94,479
Share of post-acquisition profit and other comprehensive income, net of dividends received	**8,224**	1,572
	164,669	96,051

Notes:

(a) Included in the cost of investment as at 31 December 2012 is goodwill arising on acquisition of interest in an associate for the nine months ended 31 December 2012 of approximately HK$23,216,000 (31 March 2012: Nil).

(b) On 23 December 2010, 29 December 2010 and 13 May 2011, the Company entered into agreements with an independent third party, to acquire the entire issued share capital of Well Link at a total consideration of HK$200,000,000. The acquisition was completed on 1 September 2011. The principal activity of Well Link was 25% equity investment in China Nuclear Libert (as defined below). Details of the acquisition were set out in note 35.

(c) On 17 August 2012, CNI23 Holdings Company Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with China Nuclear Industry 23 Construction (Hong Kong) Company Limited ("CNI23(HK)"), to acquire 26.5% equity interest of 深圳中核二三核電檢修有限公司 (transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.), from CNI23(HK) at a total consideration of RMB50,000,000. The acquisition was completed on 15 October 2012. The principal activities of Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd. were engaged in inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction work for non-nuclear power companies.

20. INTEREST IN ASSOCIATES (continued)

Notes: (continued)

(d) Particulars of the Group's interest in associates as at 31 December 2012 are as follows:

Company name	Place and date of registration and operation	Issued and paid-in/ registered capital	Percentage of equity attributable to the Group	Principal activities
江蘇中核利柏特股份有限公司 (transliterated as Jiangsu China Nuclear Industry Libert INC) ("China Nuclear Libert")	The People's Republic of China (the "PRC")/ 20 October 2006	RMB289,091,118	Indirect: 25%	Manufacturing and sale of pipes, steel products and related equipment for uses by chemical plant in the PRC and overseas
深圳中核二三核電檢修有限公司 (transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.)	The PRC/ 9 January 1988	RMB36,700,000	Indirect: 26.5%	Inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction work for non-nuclear power companies

(e) The summarised financial information in respect of the Group's associates is set out below:

	31 December 2012 HK$'000	31 March 2012 HK$'000
Total assets	**762,539**	479,104
Total liabilities	**(205,621)**	(94,902)
Net assets	**556,918**	384,202
The Group's share of net assets of associates	**141,453**	96,051

	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Turnover	**177,148**	114,845
Profit for the period/year	**26,825**	3,886
The Group's share of result of associates for the period/year, net	**6,739**	972
The Group's share of other comprehensive (loss)/income of associates for the period/year	**(87)**	600

21. INVESTMENTS IN SUBSIDIARIES

	The Company	
	31 December 2012	31 March 2012
	HK$'000	HK$'000
Unlisted shares, at cost	**438,075**	438,075
Less: Provision for impairment loss of investment cost *(note (i))*	**(173,146)**	(173,146)
	264,929	264,929
Loan to a subsidiary *(note (ii))*	**331,693**	273,666
	596,622	538,595
Due to subsidiaries *(note (ii))*	**40,954**	36,493

Notes:

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

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

21. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at 31 December 2012 are as follows:

Name of subsidiary	Place of incorporation and operations@	Nominal value of issued capital	Percentage of equity interest attributable to the Company (Direct)	Percentage of equity interest attributable to the Company (Indirect)	Principal activities
First Charm Development Limited	Hong Kong	HK$100*	—	100%	Property investment
Golden Target (Hong Kong) Limited	Hong Kong	HK$1*	—	100%	Hotel operations
Grandward Limited	Hong Kong	HK$100* HK$2#	—	100%	Property holding
Jade Terrace Restaurant (Causeway Bay) Limited	Hong Kong	HK$100*	—	100%	Restaurant operations
Tack Hsin Restaurant (Mongkok) Limited	Hong Kong	HK$100* HK$680,000#	—	100%	Restaurant operations
Newfame Development Limited	Hong Kong	HK$1*	—	100%	Property development
Tack Hsin (BVI) Holdings Limited	British Virgin Islands/ Hong Kong	HK$17,763,202*	100%	—	Investment holding
Tack Hsin Restaurant (London) Limited	Hong Kong	HK$100* HK$2#	—	100%	Restaurant operations
Tack Hsin Restaurant (Peninsula) Limited	Hong Kong	HK$100* HK$2,380,000#	—	100%	Restaurant operations
Top Excel Investment Limited	Hong Kong	HK$10,000*	—	51%	Restaurant operations
Vastpro Developments Limited	Hong Kong	HK$2*	—	100%	Property holding
Hurray Enterprises Limited	British Virgin Islands	US$1*	100%	—	Investment holding
Well Link Capital Limited	British Virgin Islands	US$1*	100%	—	Investment holding
CNI23 Holdings Company Limited	British Virgin Islands	US$1*	100%	—	Investment holding
CNI23 Overseas Development Limited	Hong Kong	HK$1*	—	100%	Investment holding

@ Unless otherwise stated, the place of operations is the place of incorporation.
* Ordinary shares
# Non-voting deferred shares

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the period 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.

22. AVAILABLE-FOR-SALE INVESTMENT

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Unlisted equity investment, at cost	**500**	500

As at 31 December 2012, the unlisted equity investment with a carrying amount of HK$500,000 (31 March 2012: HK$500,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

23. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly by cash and credit card settlement, except for certain well-established customers where the terms vary with these customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Within three months	**1,596**	923

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

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Neither past due nor impaired	**1,596**	923

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.

24. PREPAYMENTS AND DEPOSITS

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Prepayments	**1,156**	1,890
Deposits	**18,458**	17,277
	19,614	19,167

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.

25. AMOUNT DUE FROM CUSTOMER FOR CONTRACT WORK

	The Group	
	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Contract cost incurred plus recognised profits	**14,917**	—
Less: progress billing	**(2,984)**	—
	11,933	—

As at 31 December 2012, retention held by customer for contract work amounted to approximately HK$ 746,000 (31 March 2012: Nil).

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31 December 2012 HK$'000	31 March 2012 HK$'000	**31 December 2012 HK$'000**	31 March 2012 HK$'000
Cash and bank balances	**96,422**	51,039	**210**	202
Time deposits	**139,000**	192,233	**—**	—
	235,422	243,272	**210**	202

27. TRADE PAYABLES

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

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Within three months	**14,500**	5,354

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

Includes in the trade payables was an amount of approximately HK$7,183,000 (31 March 2012: Nil) which represents an amount due to a related party of the Company arising from provision of construction service.

28. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	31 December 2012 HK$'000	31 March 2012 HK$'000	**31 December 2012 HK$'000**	31 March 2012 HK$'000
Deferred credit on operating lease	**6,146**	6,976	**—**	—
Receipts in advance	**713**	858	**—**	—
Other payables	**411**	530	**12**	12
Accruals	**13,535**	12,355	**—**	—
	20,805	20,719	**12**	12

Other payables are non-interest bearing and have an average term of 30 days.

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29. PROVISION FOR LONG SERVICE PAYMENTS

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
At beginning of the period/year	**1,453**	1,060
Increase for the period/year	**887**	802
Amounts utilised during the period/year	**(91)**	(409)
At the end of the period/year	**2,249**	1,453

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.

30. CONVERTIBLE BONDS

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

	Convertible Bond 2 HK$'000 *(note (a))*	**Convertible Bonds 3** HK$'000 *(note (b))*	**Total** HK$'000
Liability component			
At 1 April 2011	178,924	—	178,924
Fair value of the convertible bonds issued during the year	—	39,206	39,206
Imputed interest expenses *(note 8)*	4,638	9,481	14,119
Conversion of convertible bonds	(183,562)	—	(183,562)
At 31 March 2012 and 1 April 2012	—	48,687	48,687
Imputed interest expenses *(note 8)*	—	15,793	15,793
At 31 December 2012	—	64,480	64,480
Derivative component			
At 1 April 2011	624,282	—	624,282
Fair value of the convertible bonds issued during the year	—	80,794	80,794
Fair value (gains)/losses on derivative financial instruments	(385,385)	6,276	(379,109)
Conversion of convertible bonds	(238,897)	—	(238,897)
At 31 March 2012 and 1 April 2012	—	87,070	87,070
Fair value gains on derivative financial instruments	—	(10,618)	(10,618)
At 31 December 2012	—	76,452	76,452

30. CONVERTIBLE BONDS (continued)

Notes:

(a) On 17 March 2011, the Company issued zero coupon convertible bonds in the principal amount of HK$200,000,000 ("Convertible Bonds 2") for cash to an independent third party. The Convertible Bonds 2 are convertible at the option of the bondholder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$0.50 per share from the end of the three-month period from the issue date and up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds 2 not converted will be redeemed by the Company on 17 March 2014. During the year ended 31 March 2012, Convertible Bonds 2 were fully converted.

(b) On 1 September 2011, the Company issued zero coupon convertible bonds in the principal amount of HK$120,000,000 ("Convertible Bonds 3") to an independent third party as part of consideration for acquisition of subsidiaries. The Convertible Bonds 3 are convertible at the option of the bondholder into the Company's ordinary shares of HK$0.10 each at a conversion price of HK$1.20 per share from the end of the first anniversary period from the issue date and up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds 3 not converted, cancelled, purchased or otherwise acquired will be redeemed by the Company on 1 September 2014. During the year ended 31 March 2012 and the nine months ended 31 December 2012, no Convertible Bonds 3 were converted or redeemed.

The conversion option of the Convertible Bonds 2 and Convertible Bonds 3 exhibits characteristics of an embedded derivative and is separated from the liability components. On initial recognition, the embedded derivative component of the convertible bonds is measured at fair value and presented as derivative financial instruments. Any excess of proceeds over the amount initially recognised as the embedded derivative component is recognised as the liability component. At the end of each reporting period, the embedded derivative component is remeasured and the change in fair value of that component is recognised in the consolidated statement of comprehensive income.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group and the Company	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Warrants *(note (a))*	—	151,956
Embedded derivatives of convertible bonds *(note 30)*	**76,452**	87,070
	76,452	239,026

Notes:

(a) On 19 October 2009, the Company issued 72,000,000 warrants at HK$0.02 each to certain independent third parties. Each warrant carries the right to subscribe for one ordinary share at HK$0.90 per share for the period of three years commencing from 19 October 2009. The subscription price was adjusted to HK$0.62 each from 17 March 2011. All warrant rights were exercised during the nine months ended 31 December 2012.

Movement of warrants during the period is as follows:

	The Group and the Company	
	31 December 2012 HK$'000	31 March 2012 HK$'000
At beginning of the period/year	**151,956**	279,095
Fair value gains on warrants	**(35,303)**	(127,139)
Exercise of warrants	**(116,653)**	—
At the end of the period/year	—	151,956

32. DEFERRED TAXATION

The Group

Deferred tax assets

	Losses available for offsetting against future taxable profits HK$'000
At 1 April 2011	2,740
Deferred tax credited to the consolidated statement of comprehensive income during the year *(note 12)*	433
At 31 March 2012 and 1 April 2012	3,173
Deferred tax credited to the consolidated statement of comprehensive income during the period *(note 12)*	37
At 31 December 2012	**3,210**

The Group

Deferred tax liabilities

	Depreciation allowance in excess of related deprecation HK$'000
At 1 April 2011	1,185
Deferred tax credited to the consolidated statement of comprehensive income during the year *(note 12)*	(331)
At 31 March 2012 and 1 April 2012	854
Deferred tax charged to the consolidated statement of comprehensive income during the period *(note 12)*	34
At 31 December 2012	**888**

32. 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:

The Group

	31 December 2012 HK$'000	31 March 2012 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,349**	2,324
Net deferred tax liabilities recognised in the consolidated statement of financial position	**27**	5

At the end of the reporting period, the Group had tax losses arising in Hong Kong of approximately HK$72,698,000 (31 March 2012: HK$70,448,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

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

33. SHARE CAPITAL

Ordinary shares

	Par value HK$	**Number of shares** '000	**Share capital** HK$'000
Authorised:			
At 1 April 2011, 31 March 2012 and 31 December 2012	0.10	5,000,000	500,000
Issued and fully paid:			
At 1 April 2011		567,322	56,732
Conversion of convertible bonds *(note (a))*	0.10	400,000	40,000
At 31 March 2012 and 1 April 2012		967,322	96,732
Issue of shares upon exercise of warrants *(note (b))*	0.10	94,344	9,434
At 31 December 2012		**1,061,666**	**106,166**

Notes:

(a) In December 2011, Convertible Bonds 2 were fully converted into ordinary shares of the Company at the conversion price of HK$0.50 per share, resulting in the issuance of 400,000,000 ordinary shares of the Company.

(b) 5,804,000, 24,676,000, 1,450,000, 11,612,000 and 50,802,000 shares of HK$0.10 each were issued for cash on 5 October 2012, 8 October 2012, 9 October 2012, 16 October 2012 and 17 October 2012 respectively at the subscription price of HK$0.62 per share, pursuant to the exercise of the Company's warrants for a cash consideration, before expenses, of HK$58,493,000.

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34. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current period and prior years are presented in the consolidated statement of changes in equity on page 29 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 3.

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.

(b) The Company

	Share premium account HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2011	711,292	203,630	(1,662,239)	(747,317)
Total comprehensive income for the year	—	—	482,705	482,705
Conversion of convertible bonds	382,459	—	—	382,459
At 31 March 2012 and 1 April 2012	1,093,751	203,630	(1,179,534)	117,847
Total comprehensive income for the period	—	—	25,209	25,209
Issue of shares upon exercise of warrants	165,712	—	—	165,712
At 31 December 2012	**1,259,463**	**203,630**	**(1,154,325)**	**308,768**

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

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

35. ACQUISITION OF SUBSIDIARIES

On 23 December 2010, 29 December 2010 and 13 May 2011, the Company entered into agreements with an independent third party, to acquire the entire issued share capital of Well Link at a total consideration of HK$200,000,000. The acquisition was completed on 1 September 2011.

The assets acquired in the transaction are as follows:

	Fair values of identifiable assets of acquiree HK$'000
Net assets acquired:	
Interest in an associate	94,479
Cash and cash equivalents	81
	94,560
Goodwill arising on acquisition *(note 19)*	105,440
	200,000
Total consideration satisfied by:	
Cash consideration paid	80,000
Issuance of convertible bonds	120,000
	200,000
Net cash outflow arising on acquisition:	
Cash consideration	(80,000)
Cash and cash equivalents acquired	81
	(79,919)

Note:

During the year ended 31 March 2012, Well Link and its subsidiary and associate contributed approximately nil to the Group's turnover and a profit of approximately HK$929,000 to the Group's profit for the period from the date of acquisition to the end of the reporting period.

36. CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities as at 31 December 2012 (31 March 2012: Nil).

37. 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 six years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	31 December 2012 HK$'000	31 March 2012 HK$'000
Within one year	**40,564**	54,629
In the second to fifth years, inclusive	**78,266**	97,804
After five years	**2,552**	8,294
	121,382	160,727

38. CAPITAL COMMITMENT

The Group and the Company had no capital commitment as at 31 December 2012 (31 March 2012: Nil).

39. 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 period:

(a) Transaction with a director:

	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Rental expenses paid	**72**	90

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

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

	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Short term employee benefits	**4,629**	5,348
Pension scheme contribution	**93**	104
Total compensation paid to key management personnel	**4,722**	5,452

39. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Transaction with a related party:

	9 months ended 31 December 2012 HK$'000	12 months ended 31 March 2012 HK$'000
Construction contract cost incurred	**9,549**	—

The Group incurred construction contract cost to 中國核工業二三建設有限公司 (transliterated as "China Nuclear Industry 23 Construction Company Limited"), the immediate holding company of a shareholder of the Company. The construction contract cost incurred was determined with reference to the contract price.

40. EVENT AFTER THE REPORTING PERIOD

On 6 January 2013, CNI23 New Energy Limited, a directly wholly-owned subsidiary of the Company, entered into a subscription agreement with Fame Raise Limited, Triple Delight Limited, and Guoxin Energy Limited, pursuant to which each of CNI23 New Energy Limited, Fame Raise Limited and Triple Delight Limited (the "JV Shareholders") has agreed to subscribe for, and Guoxin Energy Limited has agreed to allot and issue, a total of nine hundred and ninety-nine ordinary shares with par value of HK$1.00 each in the capital of Guoxin Energy Limited to the JV Shareholders, such that Guoxin Energy Limited has become a joint venture company between the JV Shareholders. Details of the arrangement were set out in the Company's announcement dated 6 January 2013.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 15 March 2013.

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

	Period ended 31 December 2012 HK$'000	Year ended 31 March 2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue	**233,622**	300,097	295,835	287,826	277,497
PROFIT/(LOSS) FOR THE PERIOD/YEAR	**36,721**	493,427	(889,084)	(573,390)	5,824
Attributable to:					
Owners of the Company	**37,598**	492,587	(890,647)	(574,902)	4,606
Non-controlling interests	**(877)**	840	1,563	1,512	1,218
	36,721	493,427	(889,084)	(573,390)	5,824

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2012 HK$'000	As at 31 March 2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total assets	**617,538**	541,064	419,581	209,711	124,969
Total liabilities	**(181,317)**	(316,557)	(1,109,689)	(696,535)	(35,724)
Non-controlling interests	**(152)**	(1,029)	(2,639)	(3,036)	(1,524)
	436,069	223,478	(692,747)	(489,860)	87,721